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*President and
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March 28, 1994

Dear Common Shareholder:

We are pleased to **invite you to attend the Annual and Special Meeting** of the common shareholders of NOVA Corporation of Alberta (NOVA) to be held at the Edmonton Convention Centre, 9797 Jasper Avenue, Edmonton, Alberta on Friday, May 6, 1994, commencing at 10:30 a.m. (Edmonton time).

In addition to the regular business of receiving financial statements, electing directors and appointing auditors, **you will be asked to consider and vote on a proposed reorganization of NOVA's corporate structure.** The reorganization involves separating the Alberta regulated pipeline business, the natural gas services business, the international gas services business and the petrochemicals business into separate corporations. Each of these corporations will be owned by the new public company, NOVA Corporation. If the reorganization is approved, you will become a shareholder of this public company. You will note that we are recommending we drop the words "of Alberta" from our current name. This is not to suggest we are abandoning our Alberta heritage. Rather, it reflects the company's current and future development in a worldwide setting.

NOVA Corporation will have four principal subsidiaries: NOVA, which will change its name to NOVA Gas Transmission Ltd., will continue to conduct the Alberta regulated pipeline business; NOVA Gas Services Ltd. will hold the other pipeline-related investments and conduct the natural gas services business in Canada and the United States; Novacorp International Inc. will conduct natural gas services businesses around the world; and Novacor Chemicals Ltd. will continue to conduct the petrochemicals business.

Why is your Board of Directors recommending the reorganization? Simply stated we believe it is in the best interests of the company now and in its future development. Two key considerations have led us to this recommendation. First, it will simplify and facilitate the regulation of NOVA's Alberta pipeline business and respond to some long time requests of the natural gas producer groups in Alberta. Second, the reorganization will allow greater flexibility for both the regulated and non-regulated operations to develop and finance business opportunities in a timely fashion.

In making its recommendation, your Board also considered the advice of its independent financial advisor. RBC Dominion Securities Inc. has indicated the reorganization is fair from a financial point of view to, and will not adversely affect, the holders of NOVA's common shares, warrants, options, preferred shares and non-convertible debentures. The Board also considered the advice it received from its legal counsel that the reorganization should generally be free of adverse income tax consequences for the company and most common shareholders.

If the reorganization proceeds, NOVA common shareholders will receive one common share of NOVA Corporation in exchange for each common share of NOVA currently held. Your NOVA common share certificates will represent your ownership of NOVA Corporation common shares on and after the effective date, so it will not be necessary for you to actually exchange certificates.

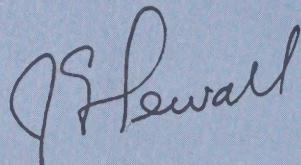
At the meeting **you will also be asked to consider and vote on the implementation of a shareholder rights plan** to be implemented if the reorganization proceeds. This vote will be independent of the vote on the reorganization. In establishing the new corporate structure, NOVA's Board of Directors wants to ensure that shareholders are treated fairly in the event that a take-over bid is made for NOVA Corporation. The rights plan seeks to ensure that as shareholders of NOVA Corporation, you are given the time to assess a bid without undue pressure and that you receive equal treatment in a bid. Finally, you will be asked to consider and vote on amendments to NOVA's employee incentive stock option plan to permit non-employee directors to be granted options under the plan.

If approved by the court and shareholders we currently anticipate the reorganization will be effective May 10, 1994. The completion of the reorganization will be publicized on Canada NEWswire Ltd.'s North American Disclosure Network and in a major Canadian national newspaper.

The Management Information Circular accompanying this letter contains a detailed description of the proposed reorganization. **Please give this material your careful consideration** and consult your financial, income tax or other professional advisors.

Due to the importance of the decisions being considered at this meeting, **your shares should be represented whether or not you are able to attend.** Regardless of the number of shares you own, your vote is important. If you do not plan to be present, I would appreciate you taking the time now to sign, date and return the enclosed proxy form in the enclosed postage prepaid envelope, so that your shares can be voted at the meeting in accordance with your instructions.

Sincerely,



J. E. (Ted) Newall
President and Chief Executive Officer

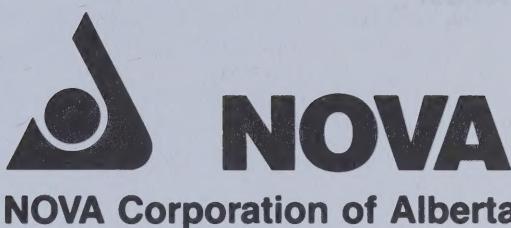
YOUR VOTE IS VERY IMPORTANT. THE BOARD OF DIRECTORS URGES YOU TO SIGN, DATE AND RETURN TODAY THE ENCLOSED PROXY IN THE ENCLOSED POSTAGE PREPAID ENVELOPE.

IF YOUR SHARES ARE HELD IN THE NAME OF A BROKER OR NOMINEE, YOU MUST PROVIDE VOTING INSTRUCTIONS TO THE BROKER OR NOMINEE FOR YOUR SHARES TO BE REPRESENTED AT THE ANNUAL AND SPECIAL MEETING.

FOR ASSISTANCE OR FURTHER INFORMATION, PLEASE CALL NOVA SHAREHOLDER RELATIONS TOLL-FREE AT 1-800-661-8686 OR CALL THE R-M TRUST COMPANY TOLL-FREE AT 1-800-706-6606.



NOVA Corporation of Alberta



Notice of Annual and Special Meeting of Common Shareholders

and

Notice of Application to the Court

and

Management Information Circular

**REORGANIZATION INVOLVING
NOVA CORPORATION OF ALBERTA
AND
ITS COMMON SHAREHOLDERS**

March 28, 1994



NOVA

NOVA Corporation of Alberta

NOTICE OF ANNUAL AND SPECIAL MEETING

NOTICE is hereby given that an annual and special meeting (the "Meeting") of the holders of common shares of NOVA Corporation of Alberta ("NOVA") will be held at the Edmonton Convention Centre, 9797 Jasper Avenue, Edmonton, Alberta on Friday, May 6, 1994 at 10:30 a.m. (Edmonton time) for the following purposes, each of which is described in more detail in the accompanying Management Information Circular (the "Information Circular") which is incorporated by reference herein, namely:

1. to receive the consolidated financial statements of NOVA for the year ended December 31, 1993 and the reports of management of NOVA and of the auditors;
2. to elect directors;
3. to appoint Ernst & Young as the auditors of NOVA and to authorize the directors to fix their remuneration as such;
4. to consider, pursuant to an order (the "Interim Order") of the Court of Queen's Bench of Alberta dated March 4, 1994 and, if deemed advisable, to pass, with or without variation, a special resolution (the "Arrangement Resolution") to approve an arrangement (the "Arrangement") under Section 186 of the Business Corporations Act (Alberta), the full text of which resolution is set out in Schedule A to, and all as more particularly described in, the Information Circular. The Arrangement will involve certain transactions including the exchange of all outstanding NOVA common shares (other than those held by shareholders who dissent from the resolution) for common shares of NOVA Corporation;
5. to consider and, if deemed advisable, to pass, with or without variation, a resolution approving a shareholder rights plan for NOVA Corporation. The shareholder rights plan will not be implemented unless the Arrangement proceeds;
6. to consider and, if deemed advisable, to pass, with or without variation, a resolution approving amendments to NOVA's employee incentive stock option plan to permit non-employee directors to be granted options under the plan; and
7. to consider such other matters including, without limitation, such amendments or variations to the Arrangement Resolution as may properly come before the Meeting or any adjournment thereof.

The texts of the Arrangement Resolution, the arrangement agreement, the Interim Order and the shareholder rights plan agreement are set forth in Schedules A, B, C and D, respectively, to the Information Circular.

Under the Interim Order, holders of NOVA common shares have been granted the right to dissent and to be paid the fair value of their NOVA common shares in respect of the Arrangement Resolution in accordance with Section 184 of the Business Corporations Act (Alberta) as modified by the Interim Order. This right is described in the Information Circular and Section 184 is set out in its entirety in Schedule E to the Information Circular.



NOVA

NOVA Corporation of Alberta

MANAGEMENT INFORMATION CIRCULAR

REORGANIZATION INVOLVING

NOVA CORPORATION OF ALBERTA

AND

ITS COMMON SHAREHOLDERS

March 28, 1994

MANAGEMENT INFORMATION CIRCULAR

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GLOSSARY OF PRINCIPAL TERMS

Unless otherwise stated, the following terms when used in this Information Circular have the following meanings:

<u>Term</u>	<u>Definition</u>
ABC A	the Business Corporations Act (Alberta), S.A. 1981, c. B-15, as amended
AGTD	the Alberta Gas Transmission Division of NOVA
Arrangement	the proposed plan of arrangement under the ABCA as set out in Appendix 1 to the Arrangement Agreement
Arrangement Agreement	the agreement dated as of March 4, 1994 between NOVA and New NOVA which is annexed as Schedule B to this Information Circular
Arrangement Resolution	the special resolution, the full text of which is annexed as Schedule A to this Information Circular, to be considered and, if deemed advisable, passed, with or without variation, by the Shareholders at the Meeting
Arrangement Transactions	those transactions described under "Implementation of the Reorganization — Arrangement Transactions"
Board of Directors	the Board of Directors of NOVA
Canadian Tax Ruling	the advance income tax ruling from Revenue Canada in form satisfactory to NOVA relating to the Arrangement and to other transactions contemplated by the Arrangement Agreement
CBRS	CBRS Inc.
Code	the United States Internal Revenue Code of 1986, as amended
Convertible Debentures	the \$150,000,000 principal amount of 1987 Adjustable Rate Convertible Subordinated Debentures issued pursuant to a trust indenture dated January 11, 1988 between NOVA and Montreal Trust Company of Canada
Court	the Court of Queen's Bench of Alberta
DBRS	Dominion Bond Rating Service Limited
Dissenting Shareholder	a Shareholder who, in accordance with the procedures set out in the Interim Order and Section 184 of the ABCA, validly exercises the right of dissent provided under the Interim Order and thereby becomes entitled to receive the fair value of that Shareholder's NOVA Common Shares
Effective Date	the effective date of the Arrangement, being the date shown on the certificate of amendment giving effect to the Arrangement to be issued by the Registrar, which is currently expected to be on or about May 10, 1994
Final Order	the final order of the Court approving the Arrangement
Gas Services	NOVA Gas Services Ltd., a corporation governed by the laws of Alberta, together, where the context requires, with its subsidiaries
 GUA	the Gas Utilities Act (Alberta), R.S.A. 1980, c. G-4, as amended
Information Circular	the Management Information Circular of NOVA dated March 28, 1994 of which this glossary forms a part
Interim Order	the interim order of the Court dated March 4, 1994, which is annexed as Schedule C to this Information Circular, providing for, among other things, the calling and holding of the Meeting
ITA	the Income Tax Act (Canada), S.C. 1970-71-72, c. 63, as amended

Meeting	the annual and special meeting of Shareholders to be held on Friday, May 6, 1994, and any adjournments thereof
Moody's	Moody's Investors Service, Inc.
New NOVA	NOVA Corporation, a corporation governed by the laws of Alberta and described under "Information Concerning New NOVA"
New NOVA Common Share	a common share of New NOVA
New NOVA Director Share Purchase Plan	the NOVA Director Share Purchase Plan following the assumption of that plan by New NOVA as part of the Post-Arrangement Transactions
New NOVA DRSP	the NOVA DRSP following the assumption of that plan by New NOVA as part of the Post-Arrangement Transactions
New NOVA Option Plan	the NOVA Option Plan following the assumption of that plan by New NOVA as part of the Arrangement Transactions
New NOVA Profit Sharing Plan	the NOVA Profit Sharing Plan following the assumption of that plan by New NOVA as part of the Post-Arrangement Transactions
NOVA	NOVA Corporation of Alberta, a corporation governed by the laws of Alberta, together, where the context requires, with its subsidiaries
NOVA Act	the NOVA Corporation of Alberta Act, R.S.A. 1980, c. N-12, as amended
NOVA Common Share	a common share of NOVA immediately prior to the Reorganization
NOVA Debentures	the following debentures issued by NOVA: (i) \$50,000,000 principal amount of 17 3/4 % Sinking Fund Debentures, Series 8 due February 15, 1997; (ii) \$125,000,000 principal amount of 11.95% Sinking Fund Debentures, Series 13 due October 1, 2007; (iii) \$100,000,000 principal amount of 10 3/4 % Debentures, Series 14 to mature April 14, 1999; (iv) \$150,000,000 principal amount of 11.70% Sinking Fund Debentures, Series 15 to mature October 15, 2008; (v) \$150,000,000 principal amount of 11.15% Debentures, Series 16 to mature September 1, 1994; (vi) \$100,000,000 principal amount of 10.95% Debentures, Series 17 due December 1, 1994; (vii) \$150,000,000 principal amount of 11.20% Sinking Fund Debentures, Series 18 due June 1, 2014; (viii) \$100,000,000 principal amount of 12 5/8 % Sinking Fund Debentures, Series 19 to mature April 15, 2010; (ix) \$100,000,000 principal amount of 11 1/8 % Debentures, Series 20 due February 28, 2001; (x) \$125,000,000 principal amount of 12.20% Debentures, Series 21 due February 28, 2016; (xi) \$150,000,000 principal amount of 8.30% Debentures, Series 22 due July 15, 2003; (xii) \$100,000,000 principal amount of 10% Series B Debentures due May 20, 1996; (xiii) U.S. \$175,000,000 principal amount of 8 1/2 % Debentures due December 15, 2012; (xiv) U.S. \$125,000,000 principal amount of 7 7/8 % Notes due December 15, 2002; and (xv) U.S. \$200,000,000 principal amount of 7 7/8 % Debentures due April 1, 2023
NOVA Director Share Purchase Plan	the Director Share Purchase Plan of NOVA
NOVA DRSP	the Dividend Reinvestment and Share Purchase Plan of NOVA
NOVA Group	after the Arrangement, New NOVA, Transmission, Gas Services, Novacorp International, Novacor Chemicals and their subsidiaries
NOVA Option Plan	the Employee Incentive Stock Option Plan (1982) of NOVA
NOVA Preferred Shares	the 7 3/4 %, 9 3/4 %, 9.76% and 7.60% Cumulative Redeemable First Preferred Shares and the 9 1/8 % Cumulative Redeemable Fixed/Floating Rate First Preferred Shares of NOVA

NOVA Profit Sharing Plan	the Employee Savings and Profit Sharing Plan of NOVA
Novacor Chemicals	Novacor Chemicals Ltd., a corporation governed by the laws of Alberta, together, where the context requires, with its subsidiaries
Novacorp International	Novacorp International Inc., a corporation governed by the laws of Alberta, together, where the context requires, with its subsidiaries
Post-Arrangement Transactions	those transactions described under “Implementation of the Reorganization — Post-Arrangement Transactions”
Pre-Arrangement Transactions	those transactions described under “Implementation of the Reorganization — Pre-Arrangement Transactions”
PUB	the Alberta Public Utilities Board
RBC Dominion Securities	RBC Dominion Securities Inc., independent financial advisor to the Board of Directors with respect to the Reorganization
Registrar	the Registrar of Corporations or a Deputy Registrar of Corporations appointed under the ABCA
Reorganization	the Pre-Arrangement Transactions, the Arrangement Transactions and the Post-Arrangement Transactions
Revenue Canada	Revenue Canada, Customs, Excise and Taxation
Rights	rights issued under the Rights Plan Agreement
Rights Plan	the shareholder rights plan of New NOVA
Rights Plan Agreement	the shareholder rights plan agreement to be entered into between New NOVA and The R-M Trust Company substantially in the form of the agreement annexed as Schedule D to this Information Circular
S&P	Standard & Poor’s Corporation
Shareholder	a holder of one or more NOVA Common Shares
Transmission	NOVA Gas Transmission Ltd., the new name of NOVA Corporation of Alberta on the date that articles of amendment to effect the name change are filed after the Effective Date with the Registrar, together, where the context requires, with its subsidiaries
U.S. Exchange Act	the United States Securities Exchange Act of 1934, as amended
U.S. Private Letter Ruling	the advance income tax ruling from the U.S. Internal Revenue Service in form satisfactory to NOVA relating to the Arrangement and to other transactions contemplated by the Arrangement Agreement
U.S. Securities Act	the United States Securities Act of 1933, as amended
Warrant	a share purchase warrant of NOVA issued under the Warrant Indenture
Warrant Indenture	the indenture dated July 29, 1986 between NOVA and Montreal Trust Company of Canada

SUMMARY OF INFORMATION CIRCULAR

The following is a summary of the contents of this Information Circular. This summary is provided for convenience of reference only. The information contained in this summary should be read in conjunction with, and is qualified in its entirety by, the more detailed information contained in the body of this Information Circular, including the schedules hereto.

THE MEETING

The Meeting will be held at the Edmonton Convention Centre, 9797 Jasper Avenue, Edmonton, Alberta on Friday, May 6, 1994, commencing at 10:30 a.m. (Edmonton time).

At the Meeting, Shareholders will be asked to elect the directors and appoint the auditors of NOVA for the ensuing year (see "Annual Meeting Business — Election of Directors" and "Annual Meeting Business — Appointment of Auditors"). Shareholders will also be asked to consider and, if deemed advisable, pass, with or without variation, resolutions approving (a) the Arrangement; (b) the Rights Plan; and (c) amendments to the NOVA Option Plan to permit non-employee directors to be granted options under the plan.

THE REORGANIZATION

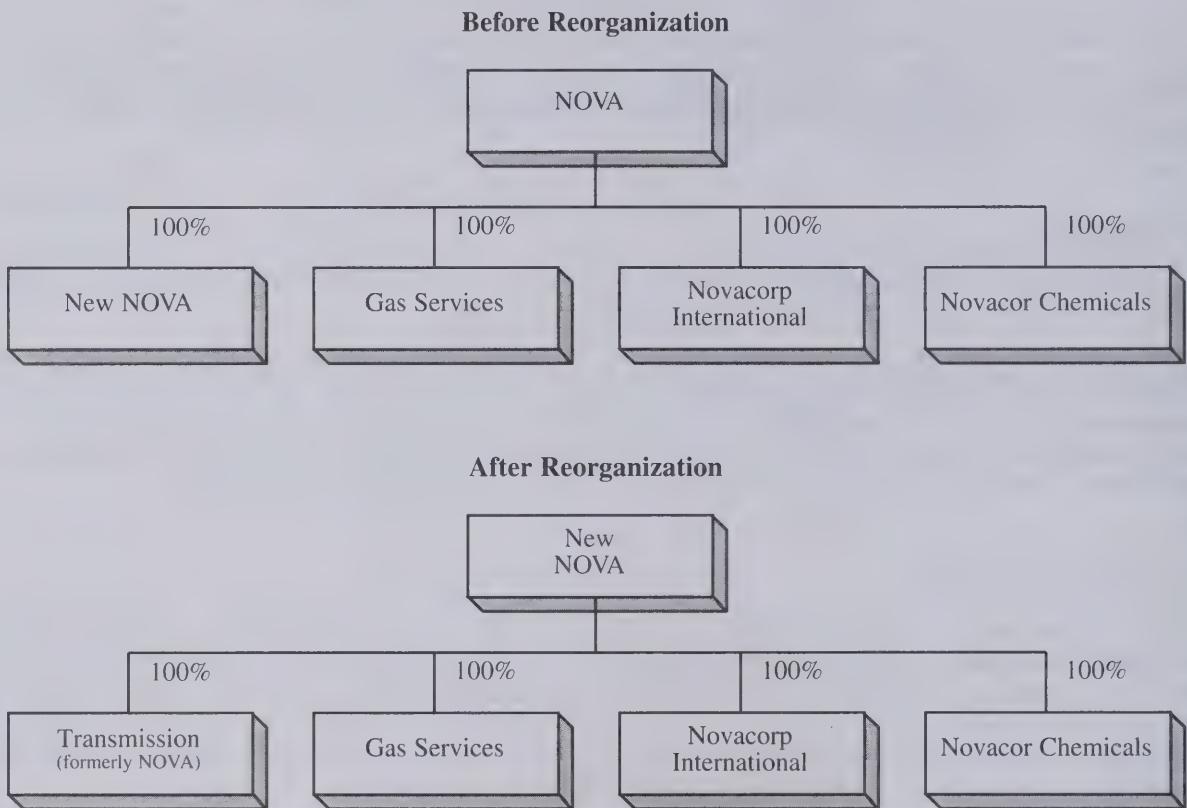
NOVA carries on both regulated and non-regulated businesses, directly and through its various subsidiaries. Its regulated businesses include an intraprovincial pipeline business in Alberta which it operates through AGTD. Unlike other Alberta gas utilities, whose rates are set by the PUB under the GUA, NOVA sets its own rates subject to review in accordance with the NOVA Act. The Alberta natural gas producers have indicated their desire for NOVA's Alberta pipeline system to be operated by a free standing company and their preference for NOVA to be regulated under the GUA, as are other Alberta gas utilities.

On October 8, 1993, NOVA announced that it had met with the Alberta government to discuss changes to its corporate structure. NOVA has requested legislation to repeal the NOVA Act. If this request is granted and legislation in the form requested is introduced, passed and proclaimed, its effect will be that NOVA's Alberta gas utility will be regulated under the GUA effective January 1, 1995 (see "The NOVA Act and Future Regulation of New NOVA and Transmission"). On March 4, 1994 the Board of Directors unanimously approved the Reorganization, subject to the satisfaction of certain conditions, including the final approval of the Arrangement by the Shareholders and the Court.

As a result of the Reorganization, each of NOVA's principal businesses will be operated through separate corporations under a parent management company called NOVA Corporation (New NOVA). On a consolidated basis, New NOVA will hold all of the assets and be subject to all of the liabilities which NOVA holds and to which it is subject immediately prior to the Reorganization. On the Effective Date, Shareholders (other than Dissenting Shareholders) will receive one New NOVA Common Share in exchange for each NOVA Common Share then held. As a result, each Shareholder will hold the same percentage interest in the New NOVA Common Shares as that Shareholder holds in the NOVA Common Shares immediately prior to the Reorganization, subject to minor adjustments upwards if Dissenting Shareholder rights are exercised. The New NOVA Common Shares will have the same rights, privileges, restrictions and conditions as the NOVA Common Shares prior to the Effective Date, except that they will not be subject to the voting restrictions contained in the NOVA Act. Subject to approval by the Shareholders at the Meeting, the Rights Plan will be implemented.

The NOVA Preferred Shares and the NOVA Debentures will continue to be securities of NOVA, which will be renamed NOVA Gas Transmission Ltd. (Transmission).

The following diagrams show the corporate relationships of NOVA and its principal subsidiaries immediately prior to the Reorganization and as they will exist upon completion of the Reorganization.



APPROVAL AND RECOMMENDATION OF THE BOARD OF DIRECTORS

The Board of Directors considered a number of factors before approving the Reorganization, including the following:

- (a) the Reorganization will separate NOVA's regulated and non-regulated operations, simplifying the regulation of NOVA's Alberta pipeline business and responding to the concern expressed in the PUB's 1993 decision that NOVA's corporate diversification would remain a contentious issue as long as AGTD remains consolidated with NOVA's other businesses. The Reorganization also responds to a concern historically expressed by the Alberta natural gas producers that the rates charged by AGTD may subsidize NOVA's non-regulated businesses. Once NOVA's regulated and non-regulated operations are separated, this should no longer be an issue;
- (b) the Reorganization will provide greater flexibility to both the regulated and non-regulated operations to independently develop and finance their respective businesses and operations. Future financing requirements of New NOVA's non-regulated operations will be satisfied independently of Transmission;
- (c) the 15% voting restriction provided by the NOVA Act will not apply to the New NOVA Common Shares when the Reorganization is implemented. Subject to approval by the Shareholders at the Meeting, the Rights Plan will be implemented.

The Board of Directors has concluded that the Arrangement is in the best interests of NOVA, its Shareholders and holders of NOVA's other publicly traded securities and unanimously recommends that Shareholders vote in favour of the Arrangement Resolution.

ADVICE OF THE FINANCIAL ADVISOR

In arriving at its recommendation, the Board of Directors received financial advice from RBC Dominion Securities including advice that the Arrangement is fair from a financial point of view to, and will not adversely affect, the holders of NOVA Common Shares, Warrants, options to purchase NOVA Common Shares, NOVA Debentures and NOVA Preferred Shares.

DEBT AND PREFERRED SHARE RATINGS

CBRS, DBRS, Moody's and S&P are the credit rating agencies which rate the NOVA Debentures and the NOVA Preferred Shares. CBRS and DBRS rate all of the NOVA Debentures and the NOVA Preferred Shares. Moody's and S&P rate the NOVA Debentures issued in the United States.

The following table sets out the ratings for the NOVA Debentures and the NOVA Preferred Shares as at March 15, 1994:

	<u>Debentures</u>	<u>Preferred Shares</u>
CBRS	A (Low)	P-3 (High)
DBRS	A (low)	Pfd-3
Moody's	Baa1	
S&P	A -	

CBRS has indicated that, subject to the Reorganization being completed, CBRS would not change its rating of NOVA Debentures, and would raise its rating of NOVA Preferred Shares to P-2 (Low). Moody's announced on February 16, 1994 that it is reviewing NOVA's debt rating for possible upgrade and S&P announced on March 8, 1994 that it has placed NOVA's debt on credit watch with positive implications. Both of these reviews will include an examination of the effect of the Reorganization. DBRS announced on March 10, 1994 that, subject to the Reorganization being completed, it expects to upgrade NOVA's ratings to A for NOVA Debentures and Pfd-2 for NOVA Preferred Shares.

SHARE CERTIFICATES

On the Effective Date, outstanding certificates representing NOVA Common Shares will represent New NOVA Common Shares. Accordingly, it will not be necessary for Shareholders to surrender their share certificates as a result of the Reorganization.

SHAREHOLDER AND COURT APPROVALS AND OTHER CONDITIONS

The Reorganization will not proceed unless certain conditions have been met, including obtaining the necessary approval from the Shareholders and the Court for the Arrangement (see "The Reorganization — Conditions to the Implementation of the Arrangement").

The Interim Order requires Shareholders to pass the Arrangement Resolution, with or without variation, by at least 66 2/3 % of the votes cast at the Meeting by Shareholders present or voting by proxy, before the Arrangement may be implemented.

The Arrangement requires Court approval under the ABCA. If this approval is granted, it will be set out in the Final Order. The Notice of an Application to the Court for the Final Order appears in the front of this Information Circular. The Board of Directors has been advised that, in hearing the said Application, the Court will consider, among other things, the fairness of the Arrangement to the Shareholders. Assuming the Shareholders have approved the Arrangement Resolution, NOVA will make application to the Court for the Final Order at 11:00 a.m. (Calgary time) on May 9, 1994 at the Court House, 611 Fourth Street S.W., Calgary or as soon thereafter as counsel may be heard. Shareholders have the right to appear at this hearing and to present evidence, subject to filing and serving on NOVA a notice to appear and any material intended to be relied upon on or before May 2, 1994. See "The Reorganization — Conditions to the Implementation of the Arrangement — Court Approval".

EFFECTIVE DATE OF THE ARRANGEMENT

The Effective Date will occur once all of the conditions to proceeding with the Reorganization have been satisfied. If the Shareholders give the requisite approval at the Meeting and the Court grants the Final Order on May 9, 1994, NOVA currently anticipates that the Effective Date will be May 10, 1994.

TERMINATION

The Board of Directors may terminate the Arrangement Agreement at any time before or after the Meeting, but prior to the Effective Date, without further notice to the Shareholders or any further action by the Shareholders. If the Board of Directors terminates the Arrangement Agreement, the Reorganization will not proceed.

THE NOVA ACT AND FUTURE REGULATION OF NEW NOVA AND TRANSMISSION

None of the provisions or restrictions of the NOVA Act will apply to New NOVA. However, New NOVA's articles and by-laws provide that its head office will be in Calgary, Alberta and that at least a majority of its Board of Directors will be Alberta residents.

NOVA has requested legislation to repeal the NOVA Act. If this request is granted and legislation in the form requested is introduced, passed and proclaimed, its effect will be that it will repeal the NOVA Act immediately after the Effective Date except those sections dealing with NOVA's ability to set its rates and tolls and conditions of service, subject to complaint to the PUB or the Alberta Energy Resources Conservation Board, as the case may be. These provisions will continue in effect until the close of business on December 31, 1994 to allow for an orderly transition of the regulation of Transmission from the NOVA Act to the GUA and to allow Transmission to establish a "test year" for GUA purposes. Assuming the NOVA Act is repealed, on and after January 1, 1995 Transmission will be regulated under the GUA in the same manner as other Alberta gas utilities.

As at March 23, 1994, the Alberta Legislature is in Session and NOVA is working with the Alberta Government in the anticipation that the repealing legislation will be introduced and passed during this sitting.

Although management of NOVA anticipates that legislation repealing the NOVA Act will be introduced and passed by the Alberta Legislature prior to the Effective Date, the final form of the legislation and the time at which it comes into effect will be decided by the Alberta Legislature.

CANADIAN TAX CONSEQUENCES

NOVA has been advised by the law firm of Osler, Hoskin & Harcourt that, in general, the Arrangement will not result in immediate Canadian federal income tax liability to a Shareholder who is a resident of Canada and who holds NOVA Common Shares as capital property, or to most Shareholders who are not resident in Canada, unless such Shareholders dissent in respect of the Arrangement. A Dissenting Shareholder generally will receive a deemed dividend equal to the excess of the payment received over the paid-up capital of the Shareholder's NOVA Common Shares, and will realize a capital gain (capital loss) to the extent that the paid-up capital of such shares, net of any costs of disposition, exceeds (is less than) the Shareholder's adjusted cost base of such shares. NOVA estimates that as of February 28, 1994, the paid-up capital per share for purposes of the ITA of the NOVA Common Shares will be \$4.66.

U.S. TAX CONSEQUENCES

NOVA has been advised by the law firm of Baker & McKenzie that, in general, the Arrangement will not result in U.S. federal income tax liability to a Shareholder who is a U.S. citizen or resident, unless such Shareholder dissents in respect of the Arrangement. Dissenting U.S. citizens or resident Shareholders who receive cash for their entire interest (whether actually or constructively held) in NOVA Common Shares will recognize gain or loss equal to the difference between the proceeds received and the tax basis of the NOVA Common Shares surrendered. Special filing requirements and other rules apply to any Shareholder who is a U.S. person who actually or constructively owns 5% or more of the NOVA Common Shares at the time of the Arrangement.

RIGHTS OF DISSENTING SHAREHOLDERS

The Interim Order grants Shareholders the right to dissent. In the event that the Arrangement becomes effective, any Shareholder who validly dissents in respect of the Arrangement Resolution in compliance with the Interim

Order and Section 184 of the ABCA will be entitled to be paid by NOVA the fair value of the NOVA Common Shares held by such Shareholder, determined as of the close of business on the last business day before the day on which the Arrangement Resolution is adopted.

STOCK EXCHANGE LISTINGS

The New NOVA Common Shares have been conditionally approved for listing, subject to the filing of usual documentation, by The Toronto Stock Exchange, the Montreal Exchange and The Alberta Stock Exchange and, subject to official notice of issuance, by the New York Stock Exchange. Approval will not be sought to list the New NOVA Common Shares on other stock exchanges, and therefore the New NOVA Common Shares will not be listed on the London or Swiss stock exchanges on which the NOVA Common Shares are currently listed.

ELIGIBILITY FOR INVESTMENT IN CANADA

In the opinion of Jack S. Mustoe, Senior Vice President, General Counsel and Corporate Secretary of NOVA and New NOVA, had the Arrangement become effective on the date hereof, the New NOVA Common Shares would be eligible investments without resort to the so-called “basket provisions” of, or their purchase would not be prohibited under, certain Canadian federal and provincial statutes. In the further opinion of Jack S. Mustoe, had the Arrangement become effective on the date hereof, the New NOVA Common Shares, when listed on a prescribed stock exchange, would be qualified investments for certain trusts or plans under the ITA.

CORPORATE GOVERNANCE MATTERS

Rights Plan

Shareholders will be asked to consider and, if deemed advisable, approve the Rights Plan in a separate vote from the Shareholder vote on the Arrangement Resolution. The Rights Plan was unanimously approved in principle by the Board of Directors on March 4, 1994.

The Board of Directors has determined that the Rights Plan would be in the best interests of New NOVA and the holders of NOVA Common Shares who will become holders of New NOVA Common Shares as a result of the Arrangement. The Board of Directors unanimously recommends that the Shareholders vote in favour of the Rights Plan.

The following summarizes the principal terms of the Rights Plan. All capitalized terms in this portion of the summary are defined under “The Reorganization — Corporate Governance Matters”.

Purpose

The Rights Plan is designed to give adequate time for shareholders of New NOVA to properly assess a take-over bid without undue pressure and to allow competing bids to emerge. The Rights Plan will also give New NOVA's board of directors time to consider alternatives designed to allow shareholders of New NOVA to receive full and fair value for their New NOVA Common Shares. Additionally, the Rights Plan is designed to provide shareholders of New NOVA with equal treatment in a take-over bid. The desire to ensure that New NOVA has some ability to address unsolicited take-over bids for its issued and outstanding voting shares during the five year term of the Rights Plan stems from a concern that Canadian take-over bid rules provide too short a response time to companies that are the subjects of unsolicited take-over bids to ensure that shareholders are offered full and fair value for their shares.

Term

The Rights Plan will remain in effect for a period of five years from the Effective Date.

Shareholder Approval

The Rights Plan will not come into effect unless the Reorganization is implemented and unless the Rights Plan is approved by more than 50% of the votes cast at the Meeting by Shareholders present or voting by proxy.

Issue of Rights

Immediately after the Effective Date, one Right will be issued and will attach to each New NOVA Common Share outstanding and to each New NOVA Common Share subsequently issued.

Rights Exercise Privilege

The Rights will separate from the New NOVA Common Shares and will be exercisable eight trading days after a person has acquired 15% or more of, or commences or announces a take-over bid for, New NOVA's outstanding common shares, other than by an acquisition pursuant to a Permitted Bid or a Competing Permitted Bid. The acquisition by an Acquiring Person of 15% or more of the New NOVA Common Shares is referred to as a "Flip-in Event".

When a Flip-in Event occurs each Right (except for Rights Beneficially owned by an Acquiring Person or certain transferees of an Acquiring Person, which Rights shall be void pursuant to the Rights Plan Agreement) becomes a right to purchase from New NOVA, upon exercise thereof in accordance with the terms of the Rights Plan Agreement, that number of New NOVA Common Shares having an aggregate market price on the date of consummation or occurrence of such Flip-in Event equal to twice the Exercise Price for an amount in cash equal to the Exercise Price (such right to be subject to adjustment in accordance with the Rights Plan Agreement). For example, if at the time of such event the Exercise Price is \$30 and the New NOVA Common Shares have a Market Price (as defined in the Rights Plan Agreement) of \$10, the holder of each Right would be entitled to receive \$60 in market value of New NOVA Common Shares (6 Common Shares) for \$30, i.e. at a 50% discount.

Any Rights held by an Acquiring Person will become void upon the occurrence of a Flip-in Event. Any offer other than a Permitted Bid or a Competing Permitted Bid will be prohibitively expensive for the Acquiring Person. The Rights Plan is therefore designed to require any person interested in acquiring more than 15% of the New NOVA Common Shares to do so by way of a Permitted Bid or a Competing Permitted Bid or to make an offer which the Board considers to represent the full value of the New NOVA Common Shares.

Prior to the Rights being triggered by a party acquiring a voting interest of 15% or greater, the Rights will have no value and will have no dilutive effect on the New NOVA Common Shares.

Certificates and Transferability

Prior to the Separation Time, the Rights will be evidenced by a legend imprinted on the common share certificates of New NOVA and will not be transferable separately from the New NOVA Common Shares. Your NOVA certificates do not need to be exchanged to entitle you to these Rights. The legend will be on all new certificates issued by New NOVA after the Effective Date. From and after the Separation Time, the Rights will be evidenced by Rights certificates and will be transferable separately from the New NOVA Common Shares.

Permitted Bid Requirements

The Permitted Bid requirements include the following:

- (i) the offer must be made for all New NOVA Common Shares and must be made by way of a take-over bid circular to all holders of New NOVA Common Shares;
- (ii) the offeror must not beneficially own more than 10% of the outstanding New NOVA Common Shares;
- (iii) the offer must be outstanding for a minimum of 90 days (and up to 120 days in the event that a Competing Permitted Bid emerges) to permit shareholders of New NOVA to properly assess the bid and to allow competing bids to emerge. This also gives the board of directors of New NOVA sufficient time to properly review the offer, seek or formulate alternatives and communicate its recommendation to shareholders of New NOVA. Should more than 50% of New NOVA Common Shares held by shareholders other than the offeror be tendered to the offer, shareholders of New NOVA are to be provided with an additional 10 clear business days during which to tender any New NOVA Common Shares not already tendered to the offer;
- (iv) the offer must provide that New NOVA Common Shares may only be taken up and paid for if more than 50% of the New NOVA Common Shares held by shareholders of New NOVA other than the offeror have been deposited or tendered and not withdrawn; and
- (v) when the offer has been made, no further New NOVA Common Shares may be acquired by the offeror except pursuant to the Permitted Bid or as may otherwise be permitted under the Rights Plan.

A Competing Permitted Bid will not have to be outstanding for a minimum of 90 days but will instead have to be outstanding for at least as long as the initial Permitted Bid.

Board of Directors

The Rights Plan will not detract from or lessen the duty of the New NOVA board of directors to act honestly and in good faith with a view to the best interests of New NOVA. When a Permitted Bid is made the board of New NOVA will continue to have the duty and power to take such actions and make such recommendations to shareholders of New NOVA as are considered appropriate.

Exemptions for Investment Advisors

Investment advisors (for fully managed accounts) and trust companies (acting in their capacities as trustees and administrators) acquiring greater than 15% of the New NOVA Common Shares will be exempted from triggering a Flip-in Event, provided that they are not part of a group making a take-over bid.

AMENDMENT TO EMPLOYEE INCENTIVE STOCK OPTION PLAN

NOVA is seeking Shareholder approval to allow directors who are not full-time employees to be eligible to receive stock options under the NOVA Option Plan. The NOVA Option Plan was originally approved by the shareholders at the annual meeting in April 1988 and at that time it contained a provision permitting the Board of Directors to grant stock options to directors, subject to certain regulatory approvals. This provision was removed in January 1989 to comply with certain U.S. securities laws. These U.S. restrictions no longer apply to Canadian corporations such as NOVA. As a result, NOVA is proposing to once again permit directors who are not full-time employees to be eligible to receive stock options. Shareholders should find this amendment of benefit as it should result in a greater alignment of the directors' interests with those of the Shareholders.

MANAGEMENT INFORMATION CIRCULAR

This Information Circular is furnished in connection with the solicitation of proxies by and on behalf of the management of NOVA and the Board of Directors. The accompanying form of proxy is for use at the Meeting for the purposes set forth in the accompanying Notice of Annual and Special Meeting.

It is anticipated that this Information Circular and the accompanying form of proxy will be first mailed to Shareholders on or about March 28, 1994. Unless otherwise stated, information contained in this Information Circular is given as at March 4, 1994. The principal executive and registered office of NOVA is located at 801 Seventh Avenue S.W., Calgary, Alberta T2P 2N6, and its telephone number is (403)290-6000.

THE REORGANIZATION

REASONS FOR AND BACKGROUND OF THE REORGANIZATION

NOVA carries on both regulated and non-regulated businesses, directly and through its various subsidiaries. On the regulated side, NOVA operates an intraprovincial pipeline business in Alberta directly, through AGTD. It also operates other pipeline and natural gas services businesses throughout Canada and the United States. Its non-regulated businesses include its international gas services investment and consulting operations and its petrochemicals business, both of which are operated through subsidiaries. Historically the Alberta natural gas producers and the PUB have expressed concern that the rates charged to producers by AGTD may subsidize NOVA's non-regulated businesses. Unlike other Alberta gas utilities, whose rates are set by the PUB under the GUA, the NOVA Act allows NOVA to set its own rates subject to regulatory review. The Alberta natural gas producers have indicated their desire for NOVA's Alberta pipeline system to be operated by a free standing company and their preference for NOVA to be regulated under the GUA, as are other Alberta gas utilities.

In response to these concerns, and recognizing that each of NOVA's businesses has distinct opportunities available to it, as well as separate capital needs, the Board of Directors and management of NOVA have been evaluating how each of its regulated and non-regulated businesses should be positioned within the NOVA corporate structure. After considering a number of alternatives, the Board of Directors and management have concluded that each of NOVA's principal businesses should be operated through separate corporations under a parent management company. Shareholders would exchange their NOVA Common Shares for shares of the parent company, called NOVA Corporation (New NOVA). NOVA itself would continue to operate the Alberta intraprovincial pipeline system but would be renamed NOVA Gas Transmission Ltd. (Transmission) and would become one of New NOVA's subsidiaries.

On October 8, 1993, NOVA announced that it had met with the Alberta government to discuss changes to its corporate structure. On March 4, 1994 the Board of Directors unanimously approved the proposed Reorganization. NOVA has requested legislation to repeal the NOVA Act. If this request is granted and legislation in the form requested is introduced, passed and proclaimed, its effect will be that NOVA's Alberta gas utility will be regulated under the GUA effective January 1, 1995 (see "The NOVA Act and Future Regulation of New NOVA and Transmission").

The Board of Directors and management were concerned that one result of the Reorganization is that the NOVA Act prohibition against any person, alone or in concert, voting more than 15% of the outstanding voting shares of NOVA will not apply to the New NOVA Common Shares. Accordingly, management and the Board of Directors considered means available in order to ensure the fair treatment of shareholders of New NOVA in the event of a take-over bid and the Board of Directors ultimately determined to seek Shareholder approval of the Rights Plan. On March 4, 1994, the Board of Directors unanimously approved the Rights Plan in principle. In order to become effective, the Rights Plan must be adopted by the board of directors of New NOVA and approved by the Shareholders at the Meeting.

As a result of the Reorganization, New NOVA will continue to operate NOVA's existing businesses through four principal subsidiaries:

- (a) Transmission will operate the Alberta regulated intraprovincial pipeline business currently carried on by AGTD;
- (b) Gas Services will carry on NOVA's other Canadian and U.S. natural gas services businesses;

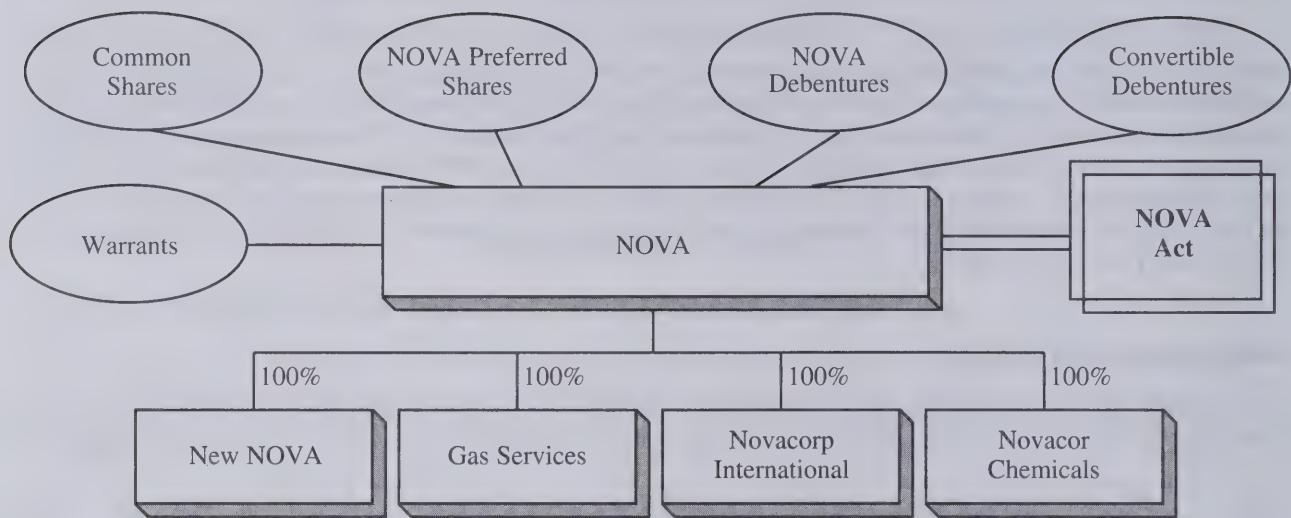
- (c) Novacorp International will carry on NOVA's international natural gas services investment and consulting operations; and
- (d) Novacor Chemicals will carry on NOVA's existing petrochemicals business.

After the Reorganization, on a consolidated basis, New NOVA will hold all of the assets and be subject to all of the liabilities which NOVA holds and to which it is subject immediately prior to the Reorganization. On the Effective Date, Shareholders (other than Dissenting Shareholders) will receive one New NOVA Common Share for each NOVA Common Share then held. As a result, each Shareholder will hold the same percentage interest in the New NOVA Common Shares as that Shareholder holds in the NOVA Common Shares immediately prior to the Reorganization, subject to minor adjustments upwards if Dissenting Shareholder rights are exercised. The NOVA Preferred Shares and NOVA Debentures will continue to be securities of NOVA (which will be renamed NOVA Gas Transmission Ltd.).

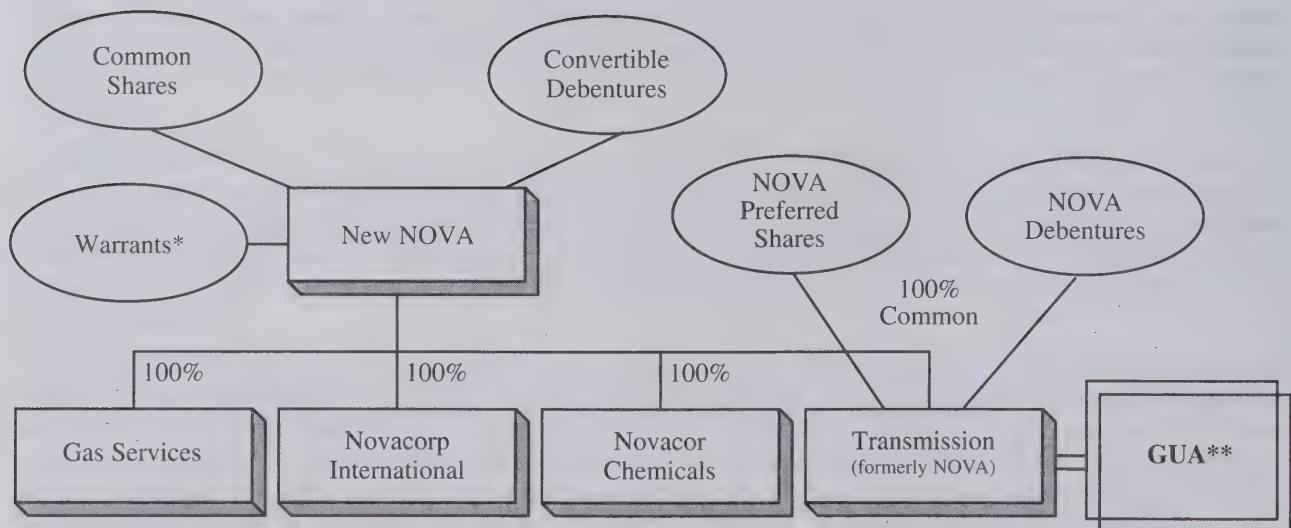
CORPORATE STRUCTURE

The following diagrams show the relationships of NOVA, its principal subsidiaries and its security holders immediately prior to the Reorganization and as they will exist upon the completion of the Reorganization.

Before Reorganization



After Reorganization



*After the Reorganization the Warrants will be exercisable for New NOVA Common Shares and will continue to be exercisable for certain preferred shares of Transmission. See "Effect of the Arrangement on Other Securities of NOVA — Warrants."

**NOVA has requested that the Alberta Government repeal the NOVA Act. If this request is granted, Transmission will be regulated under the GUA. See "The NOVA Act and Future Regulation of New NOVA and Transmission".

APPROVAL BY AND RECOMMENDATION OF THE BOARD OF DIRECTORS

The Board of Directors has concluded that the Arrangement is in the best interests of NOVA, its Shareholders and holders of NOVA's other publicly traded securities and recommends that Shareholders vote in favour of the Arrangement Resolution.

On March 4, 1994, the Board of Directors unanimously approved the Reorganization, subject to the satisfaction of certain conditions, including the approval of the Arrangement by the Shareholders and the Court. The Board of Directors considered a number of factors before approving the Reorganization, including the following:

- (a) the Reorganization will separate NOVA's regulated and non-regulated operations, simplifying the regulation of NOVA's Alberta pipeline business and responding to the PUB's 1993 decision and the concern expressed therein that NOVA's corporate diversification would remain a contentious issue as long as AGTD remains consolidated with NOVA's other businesses;
- (b) the Reorganization responds to a concern historically expressed by the Alberta natural gas producers that the rates charged by AGTD may subsidize NOVA's non-regulated businesses. Once NOVA's regulated and non-regulated operations are separated, this should no longer be an issue because future financing requirements in relation to non-regulated operations will be satisfied independently of Transmission;
- (c) the Reorganization will provide greater flexibility to both the regulated and non-regulated operations to develop and finance their respective businesses and operations independently of one another. Upon completion of the Reorganization, the NOVA Preferred Shares and NOVA Debentures will remain as securities of Transmission;
- (d) after the Reorganization, on a consolidated basis, New NOVA will hold all of the same assets and be subject to all of the same liabilities as NOVA holds and to which it is subject immediately prior to the Reorganization;
- (e) the voting restrictions provided by the NOVA Act will not apply to the New NOVA Common Shares when the Reorganization is implemented. Subject to approval by the Shareholders at the Meeting, the Rights Plan will be implemented by New NOVA;
- (f) the Board of Directors has been advised by RBC Dominion Securities that the Reorganization is fair from a financial point of view to the Shareholders and holders of NOVA's other publicly traded securities and that holders of NOVA Common Shares and such other publicly traded securities will not be adversely affected;
- (g) NOVA has been advised by the law firm of Osler, Hoskin & Harcourt that the Reorganization will generally have no adverse income tax consequences for NOVA, New NOVA, Gas Services, Novacorp International or Novacor Chemicals and that the Reorganization will occur on a tax-deferred basis for Canadian federal income tax purposes for most Shareholders (see "Canadian Federal Income Tax Considerations"). NOVA has also been advised by the law firm of Baker & McKenzie that, for U.S. federal income tax purposes, the Arrangement will, with certain exceptions, generally not result in a realization of taxable income to Shareholders who are residents or citizens of the United States (see "U.S. Federal Income Tax Considerations");
- (h) the Arrangement must be approved by the Court and by 66 $\frac{2}{3}$ % of the votes cast by the Shareholders at the Meeting. The Board of Directors has been advised that the Court will consider, among other things, the fairness of the Arrangement to the Shareholders;
- (i) Shareholders who are opposed to the Arrangement may dissent from the approval of the Arrangement Resolution and will be paid the fair value of their NOVA Common Shares;
- (j) CBRS and DBRS confirmed that the existing ratings for the NOVA Debentures and the NOVA Preferred Shares will not be negatively affected by reason of the Reorganization. Moody's announced that it is reviewing NOVA's debt rating for possible upgrade and that such review will include an examination of the effect of the Reorganization;
- (k) the Board of Directors has been advised by Jack S. Mustoe, Senior Vice President, General Counsel and Corporate Secretary of NOVA and New NOVA, that the New NOVA Common Shares will be eligible investments for certain classes of investors, without resort to the so-called "basket provisions" in the applicable statutes; and

- (I) the Toronto, Alberta and Montreal stock exchanges have conditionally approved the listing of the New NOVA Common Shares, subject to the filing of usual documentation and the New York Stock Exchange has approved the listing of the New NOVA Common Shares, subject to official notice of issuance (see "Stock Exchange Listings").

ADVICE OF FINANCIAL ADVISOR

The Board of Directors has retained RBC Dominion Securities to provide it with financial advice with respect to the Reorganization and to advise as to certain matters relating thereto. RBC Dominion Securities was selected on the basis of its expertise, its independence and its familiarity with the corporations involved and with the proposed Reorganization. NOVA and the Board of Directors imposed no limitations on RBC Dominion Securities in connection with its advice or in the scope of its investigations.

RBC Dominion Securities is one of the largest Canadian investment banking firms and has extensive experience as a financial advisor to major Canadian and international corporations. It regularly arranges for the public underwriting and private placement of equity and debt securities, is routinely engaged in the valuation of businesses in connection with mergers, acquisitions and corporate restructurings, and has been engaged by NOVA in these capacities in the past.

RBC Dominion Securities advised the Board of Directors on March 4, 1994 that, subject to and based upon the following, and after considering such factors as it considered relevant, RBC Dominion Securities had concluded that the Reorganization is fair from a financial point of view to holders of NOVA Common Shares, Warrants, options to purchase NOVA Common Shares, NOVA Debentures and NOVA Preferred Shares and that holders of NOVA Common Shares and such other securities will not be adversely affected by the Reorganization.

In rendering this advice, RBC Dominion Securities reviewed, considered and relied upon, among other things:

- (a) the information contained in a draft of this Information Circular, including the terms of the Reorganization and the Arrangement Agreement;
- (b) the operating and financial results of NOVA and its subsidiaries and the financial outlook for NOVA and its subsidiaries;
- (c) discussions with the management of NOVA and its subsidiaries;
- (d) market trading data relating to the NOVA Common Shares and NOVA's other publicly traded securities;
- (e) certain current and historical stock market, financial and credit rating data on publicly-traded companies in Canada; and
- (f) the current state of financial markets.

RBC Dominion Securities assumed that all information which it received relating to NOVA and its subsidiaries and the Reorganization was accurate and complete and did not conduct any separate investigation for the purpose of verifying the accuracy or completeness of any such information nor did it attempt to identify any changes in such information since the date the information was provided or made available to it.

RBC Dominion Securities' financial advice was rendered on the basis of securities markets, economic and general business and financial conditions prevailing at the time such advice was rendered and the condition and prospects, financial and otherwise, of NOVA and its subsidiaries as they were represented in the information and documents reviewed by it. RBC Dominion Securities assumed that all of the conditions required to implement the Arrangement will be satisfied and that the Arrangement will proceed as described and substantially within the time frame specified in the Information Circular.

RBC Dominion Securities considered the Arrangement only in relation to the existing corporate structure of NOVA and did not prepare any valuations of NOVA or any of its subsidiaries for the purposes of its assessment of the fairness of the Arrangement from a financial point of view.

RBC Dominion Securities' conclusion was based principally upon the following:

- (a) the issued and outstanding NOVA Common Shares will be exchanged, on a one-for-one basis, for an equal number of New NOVA Common Shares to be issued from New NOVA's treasury to all holders of NOVA Common Shares other than Dissenting Shareholders;
- (b) all NOVA Common Shares will be dealt with in the same manner other than those held by Dissenting Shareholders;
- (c) the New NOVA Common Shares will have the same attributes as the attributes of the NOVA Common Shares, except that the present voting restrictions contained in the NOVA Act will not apply to them;
- (d) management of NOVA contemplates that the per share quarterly dividend to be declared on the New NOVA Common Shares will initially be the same as the dividend which would have been declared by the Board of Directors had the Reorganization not been carried out; further, it is expected that quarterly dividends will be declared and paid by New NOVA on the same schedule of dates as is currently followed with respect to regular quarterly dividends on the NOVA Common Shares;
- (e) had the Arrangement become effective on the date hereof, the New NOVA Common Shares to be received under the Arrangement would have been eligible investments, without resort to the so-called "basket provisions", or their purchase would not be prohibited, under specified statutes, and would, when listed on a prescribed stock exchange, have been qualified investments for trusts governed by registered retirement savings plans, registered retirement income funds and deferred profit sharing plans;
- (f) the Reorganization will separate the regulated and non-regulated businesses of the NOVA Group which will simplify the regulation of Transmission by the PUB;
- (g) the Reorganization will provide greater flexibility to the managements of both regulated and non-regulated businesses to independently develop and finance their respective businesses;
- (h) the terms and provisions of the NOVA Preferred Shares and the NOVA Debentures will not be affected by the Reorganization, and upon completion of the Reorganization such securities will remain issued and outstanding securities of Transmission;
- (i) CBRS and DBRS have advised that their respective ratings as currently applied to the NOVA Preferred Shares and the NOVA Debentures will not be adversely affected by the Reorganization;
- (j) Moody's has announced that it is reviewing NOVA's debt rating for possible upgrade and that such review will include an examination of the effect of the Reorganization;
- (k) its view that the separation of Transmission from the business uncertainties inherent in the non-regulated business of the NOVA Group will be of benefit to the holders of the NOVA Preferred Shares and the NOVA Debentures;
- (l) its understanding that the Reorganization will occur on a tax deferred basis for Canadian federal income tax purposes for most Shareholders and that for U.S. federal income tax purposes the Arrangement will, with certain exceptions, generally not result in a realization of taxable income to Shareholders who are residents or citizens of the United States.

IMPLEMENTATION OF THE REORGANIZATION

If all of the conditions precedent to the Reorganization are met (or waived where permitted) the Reorganization will proceed as set out below. The Reorganization consists of three parts, the Pre-Arrangement Transactions, the Arrangement Transactions and the Post-Arrangement Transactions, and will be implemented in accordance with the terms of the Arrangement Agreement. NOVA and New NOVA are parties to the Arrangement Agreement and the board of directors of each of NOVA and New NOVA have approved that agreement. A copy of the Arrangement Agreement is annexed as Schedule B to this Information Circular and a copy of the Arrangement is attached as Appendix 1 to the Arrangement Agreement.

Pre-Arrangement Transactions

After the Final Order has been granted, but prior to the implementation of the Arrangement Transactions, NOVA and its subsidiaries will take certain actions, including the following:

- (a) NOVA will transfer its pipeline assets (other than those relating to NOVA's regulated Alberta intraprovincial pipeline business) and certain other assets to Gas Services for common and preferred shares of Gas Services. In addition, Gas Services may assume certain liabilities of NOVA;
- (b) NOVA will transfer certain assets to New NOVA, including the shares of Novacor Chemicals and Novacorp International and the common shares of Gas Services, for Class B shares of New NOVA. In addition, New NOVA may assume certain liabilities of NOVA.

Arrangement Transactions

On the Effective Date, certain actions will occur, including the following:

- (a) Shareholders (other than Dissenting Shareholders) will exchange each NOVA Common Share they hold for one New NOVA Common Share;
- (b) simultaneously with the share exchange referred to above, New NOVA will repurchase all of its Class B shares from NOVA for cancellation in consideration for a demand note (the "New NOVA Note") equal to the fair market value of its Class B shares;
- (c) New NOVA will assume NOVA's obligations under the Convertible Debentures;
- (d) NOVA will reduce its stated capital in respect of the NOVA Common Shares;
- (e) NOVA will declare and pay a dividend on the NOVA Common Shares in an amount equal to the principal amount of the New NOVA Note and will pay that dividend by issuing a demand note (the "NOVA Note") to New NOVA;
- (f) the NOVA Note and the New NOVA Note will be set off against each other;
- (g) New NOVA will assume NOVA's obligations to issue common shares on the exercise of Warrants under the Warrant Indenture. NOVA and New NOVA will enter into a supplemental warrant indenture (see "Effect of the Arrangement on Other Securities of NOVA — Warrants");
- (h) the NOVA Option Plan will be assumed by New NOVA and options to purchase NOVA Common Shares will become options to purchase New NOVA Common Shares (see "Effect of the Arrangement on Other Securities of NOVA — Option Plan").

Post-Arrangement Transactions

After the Arrangement becomes effective, NOVA and New NOVA will take certain actions, including the following:

- (a) New NOVA will assume the NOVA DRSP (see "Effect of the Arrangement on Other Securities of NOVA — Dividend Reinvestment and Share Purchase Plan");
- (b) New NOVA will assume the NOVA Profit Sharing Plan (see "Effect of the Arrangement on Other Securities of NOVA — Savings and Profit Sharing Plans");
- (c) New NOVA will assume the NOVA Director Share Purchase Plan (see "Effect of the Arrangement on Other Securities of NOVA — Director Share Purchase Plan").

The foregoing description of the Arrangement is qualified in its entirety by reference to the full text of the Arrangement, attached as Appendix 1 to the Arrangement Agreement which is annexed as Schedule B to this Information Circular.

CONDITIONS TO THE IMPLEMENTATION OF THE ARRANGEMENT

In order for the Arrangement to become effective, the following must occur:

- (a) the Shareholders must have approved the Arrangement as described under "Shareholder Approval";

- (b) the Court must have approved the Arrangement as described under "Court Approval";
- (c) NOVA must have received the Canadian Tax Ruling as described under "Canadian Tax Ruling"; and
- (d) the other conditions of the Arrangement referred to under "Conditions to the Implementation of the Arrangement" must have been fulfilled or waived by NOVA.

Once the foregoing conditions have been satisfied or waived as permitted, NOVA intends to cause articles of arrangement to be filed with the Registrar in order that a certificate of amendment giving effect to the Arrangement may be issued.

Shareholder Approval

The Interim Order provides that, for the Arrangement to be implemented, the Arrangement Resolution must be passed, with or without variation, by at least 66½% of the votes cast at the Meeting in respect of the Arrangement Resolution by Shareholders present in person or represented by proxy at the Meeting. A quorum for the transaction of business at the Meeting is Shareholders present in person or represented by proxy holding not less than 10% of the NOVA Common Shares entitled to vote at the Meeting.

Court Approval

Under the ABCA, the Arrangement which forms part of the Reorganization must be approved by the Court. If this approval is granted, it will be set out in the Final Order. Assuming the Shareholders approve the Arrangement Resolution, NOVA will make application to the Court for the Final Order at 11:00 a.m. (Calgary time) on May 9, 1994 at the Court House, 611 Fourth Street S.W., Calgary or as soon thereafter as counsel may be heard. The Notice of an Application to the Court for the Final Order appears in the front of this Information Circular. At this hearing, Shareholders who wish to participate or to be represented or to present evidence or argument may do so, subject to filing and serving on NOVA a notice to appear and any material intended to be relied upon on or before May 2, 1994.

NOVA has been advised by the law firm of Bennett Jones Verchere that the Court will consider, among other things, the fairness and reasonableness of the Arrangement. The Court may approve the Arrangement as proposed or as amended in any manner the Court may direct, subject to compliance with such terms and conditions, if any, as the Court may impose. It is a condition to the completion of the Arrangement under the Arrangement Agreement that the Final Order be satisfactory to NOVA in form and substance. The Final Order will form the basis for an exemption from registration under the U.S. Securities Act with respect to the securities to be issued under the Arrangement and the Court will be so advised.

Before this Information Circular was mailed, the Court granted the Interim Order, which required that the Meeting be called, specified the level of Shareholder approval required to approve the Arrangement Resolution and provided for certain other procedural matters. A copy of the Interim Order is annexed as Schedule C to this Information Circular.

Canadian Tax Ruling

The respective obligations of the parties to the Arrangement Agreement to complete the Arrangement are conditional upon receipt of a satisfactory advance income tax ruling. NOVA has obtained an advance income tax ruling confirming that the Reorganization will have no adverse tax consequences to NOVA, New NOVA or their subsidiaries and confirming certain of the tax consequences to the Shareholders described in the section "Canadian Federal Income Tax Considerations". NOVA is currently seeking certain amendments to such ruling and expects to obtain such amendments prior to the Effective Date.

Other Conditions to the Implementation of the Arrangement

Pursuant to the Arrangement Agreement, the respective obligations of the parties to the Arrangement Agreement to complete the Arrangement and to file articles of arrangement giving effect to the Arrangement are also subject to the satisfaction or waiver of the following conditions:

- (a) NOVA must have received certain orders and rulings from various Canadian securities commissions and other regulatory authorities including, without limitation, orders and rulings to the effect that the New NOVA Common Shares issued under the Arrangement and reserved for issuance pursuant to the New NOVA DRSP and the New NOVA Option Plan may be resold without restriction in Canada by persons receiving such shares (other than persons or companies holding a sufficient number of New NOVA Common Shares to affect materially the control of New NOVA);

- (b) the Board of Directors shall not have terminated the Arrangement Agreement for any reason;
- (c) no action shall have been instituted and be continuing on the Effective Date for an injunction to restrain, a declaratory judgment in respect of, or damages on account of or relating to, the Arrangement and no cease trading or similar order with respect to any securities of New NOVA or NOVA shall have been issued and remain outstanding; and
- (d) all material regulatory requirements shall have been complied with and all other material consents, orders and approvals shall have been obtained on terms satisfactory to NOVA.

EFFECTIVE DATE OF THE ARRANGEMENT

If the Meeting is held as scheduled on May 6, 1994, and not adjourned, and the Shareholders approve the Arrangement Resolution in accordance with the Interim Order, NOVA will apply to the Court on May 9, 1994 for the Final Order permitting the Arrangement to be implemented. The Effective Date will occur once all of the conditions to proceeding with the Reorganization have been satisfied, or waived if permitted. If the Shareholders give the requisite approval at the Meeting and the Court grants the Final Order on May 9, 1994, NOVA currently anticipates that the Effective Date would be May 10, 1994. The Effective Date could be delayed for a number of reasons, including an objection before the Court in its hearing of the application for the Final Order. As soon as possible after the Effective Date has occurred, the completion of the Reorganization will be publicized on Canada NEWswire Ltd.'s North American Disclosure Network and in a major Canadian national newspaper.

TERMINATION OF THE ARRANGEMENT AGREEMENT

The Arrangement Agreement may be terminated by the Board of Directors for any reason whatsoever, acting in good faith and in its sole discretion, at any time before or after the holding of the Meeting, but no later than the Effective Date, without further notice to, or action on the part of, the Shareholders. If the Arrangement Agreement is terminated by the Board of Directors, the Arrangement will not proceed.

EFFECT OF THE ARRANGEMENT ON SHAREHOLDERS

Upon the Arrangement becoming effective, Shareholders (other than Dissenting Shareholders) will own directly all of the outstanding New NOVA Common Shares. Accordingly, each Shareholder will hold the same percentage interest in the New NOVA Common Shares as that Shareholder held in the NOVA Common Shares immediately prior to the Reorganization, subject to minor adjustments upwards if Dissenting Shareholder rights are exercised. The New NOVA Common Shares will have the same rights, privileges, restrictions and conditions as the NOVA Common Shares prior to the Effective Date except that the present voting restrictions contained in the NOVA Act will not apply to them. (See "The Reorganization — Repeal of the NOVA Act and Future Regulation of New NOVA and Transmission".) NOVA Common Share certificates will represent ownership of New NOVA Common Shares on and after the Effective Date, so it will not be necessary to actually exchange share certificates.

EFFECT OF THE ARRANGEMENT ON OTHER SECURITIES OF NOVA

NOVA Preferred Shares and NOVA Debentures

The terms of the NOVA Preferred Shares and NOVA Debentures will not be affected by the Arrangement and, after the Effective Date, such securities will continue to be preferred shares and public debentures of Transmission.

Debt and Preferred Share Ratings

CBRS, DBRS, Moody's and S&P are the credit rating agencies which rate the NOVA Debentures and the NOVA Preferred Shares. CBRS and DBRS rate all of the NOVA Debentures and the NOVA Preferred Shares. Moody's and S&P rate the NOVA Debentures issued in the United States.

The following table sets out the ratings for the NOVA Debentures and the NOVA Preferred Shares as at March 15, 1994:

	Debentures	Preferred Shares
CBRS	A (Low)	P-3 (High)
DBRS	A (low)	Pfd-3
Moody's	Baa1	
S&P	A -	

CBRS has indicated that, subject to the Reorganization being completed, CBRS would not change its rating of NOVA Debentures, and would raise its rating of NOVA Preferred Shares to P-2 (Low). Moody's announced on February 16, 1994 that it is reviewing NOVA's debt rating for possible upgrade and S&P announced on March 8, 1994 that it has placed NOVA's debt on credit watch with positive implications. Both of these reviews will include an examination of the effect of the Reorganization. DBRS announced on March 10, 1994 that, subject to the Reorganization being completed, it expects to upgrade NOVA's ratings to A for NOVA Debentures and Pfd-2 for NOVA Preferred Shares.

Warrants

NOVA has issued Warrants under the Warrant Indenture. As at February 28, 1994 there were 19,100 Warrants outstanding. Currently, each Warrant entitles the holder thereof to acquire at no additional cost either (i) three NOVA Common Shares or (ii) one Price Adjusted Floating Rate First Preferred Share of NOVA or one Price Adjusted Floating Rate Second Preferred Share of NOVA if NOVA cannot meet certain issuance tests for the issue of the First Preferred Shares. The Warrants expire on July 1, 1996. After the Reorganization, Warrant holders will be entitled to receive upon the exercise of their Warrants, three New NOVA Common Shares for every Warrant exercised. Each Warrant will continue to be exercisable for one First Preferred Share or one Second Preferred Share of NOVA (to be called Transmission) after the Effective Date. NOVA, New NOVA and Montreal Trust Company of Canada will enter into a supplemental indenture to give effect to these adjustments on the Effective Date.

The adjustment to the terms of the Warrant Indenture may result in a disposition of the Warrants for purposes of the ITA. If so, holders of Warrants who hold such Warrants as capital property (see "Canadian Federal Income Tax Consequences") will realize a capital gain (or capital loss) to the extent that the fair market value of the holder's Warrants at the Effective Date, net of any costs of disposition, exceed (or are less than) the holder's adjusted cost base of such Warrants at that time and would have a new cost of Warrants equal to such fair market value. **No taxable disposition would occur if the Warrants are exercised prior to the Effective Date.**

For holders of Warrants who, for purposes of the ITA, are resident in Canada, such capital gain or capital loss will be treated as described under "Canadian Federal Income Tax Considerations — Shareholders Resident in Canada". Holders of Warrants who, for purposes of the ITA, are not resident in Canada will generally not be subject to income tax under the ITA on any gain realized on the disposition of the Warrants.

Convertible Debentures

NOVA, New NOVA and the holder of the Convertible Debentures have agreed in principle to amend the terms of the Convertible Debentures so that, effective on the Effective Date, New NOVA will assume certain of the obligations of NOVA under the Convertible Debentures and the Convertible Debentures will be convertible into New NOVA Common Shares on the same basis as they were convertible into NOVA Common Shares prior to the Arrangement.

Dividend Reinvestment and Share Purchase Plan

Under the Arrangement, each NOVA Common Share held for participants in the NOVA DRSP will be exchanged for a New NOVA Common Share. New NOVA will assume the NOVA DRSP as the New NOVA DRSP and the Board of Directors has approved transitional amendments to the NOVA DRSP pursuant to which, following the Effective Date, participants will be deemed to have elected to participate in the New NOVA DRSP with respect to the New NOVA Common Shares distributed to the NOVA DRSP on their behalf under the Arrangement, unless a Notice of Withdrawal is delivered by the participant to NOVA prior to the Effective Date of the Arrangement. Pursuant to the terms of the NOVA DRSP, a Shareholder may withdraw from the NOVA DRSP at any time. Holders of NOVA Preferred Shares will continue to be entitled to reinvest their dividends under the New NOVA DRSP, subject to approval by the various Canadian securities commissions and other regulatory authorities.

Option Plan

On the Effective Date, the NOVA Option Plan will become the New NOVA Option Plan. Under the terms of the plan, all existing options will remain outstanding, but will automatically become options to purchase New NOVA Common Shares on the same terms and conditions as the holder was entitled to purchase NOVA Common Shares. No change in the option exercise price will occur as a result of the Reorganization.

Savings and Profit Sharing Plans

The NOVA Profit Sharing Plan will be assumed by New NOVA as the New NOVA Profit Sharing Plan immediately after the Effective Date. Each NOVA Common Share held under the plan will be exchanged for a New NOVA Common Share. All employees of NOVA and its designated subsidiaries and affiliates who are members of the NOVA Profit Sharing Plan will automatically become members of the New NOVA Profit Sharing Plan on the Effective Date and all assets of the NOVA Profit Sharing Plan will become assets of the New NOVA Profit Sharing Plan on the Effective Date. Other employees will become members of the New NOVA Profit Sharing Plan upon the completion of one year of service. Such employees will receive credit for any service prior to the Effective Date with NOVA or its designated affiliates and subsidiaries in the calculation of the one year of service with New NOVA or its designated affiliates and subsidiaries.

There will be no change to the Employee Savings and Profit Sharing Plan for Novacor Chemicals Inc. with the exception that each NOVA Common Share held under the plan will be exchanged for a New NOVA Common Share pursuant to the Arrangement on the Effective Date and thereafter the plan will purchase New NOVA Common Shares for its participants, rather than NOVA Common Shares.

Director Share Purchase Plan

New NOVA will assume the NOVA Director Share Purchase Plan on the Effective Date. The NOVA Common Shares held by the custodian on behalf of NOVA directors will be exchanged for New NOVA Common Shares pursuant to the Arrangement and will continue to be held by the custodian on the same terms for those directors (who will be New NOVA directors) pursuant to the New NOVA Director Share Purchase Plan.

CORPORATE GOVERNANCE MATTERS

New Nova Shareholder Rights Plan

The Board of Directors unanimously approved the Rights Plan in principle on March 4, 1994. In order to become effective, the Rights Plan must be approved by more than 50% of the votes cast at the Meeting by Shareholders present or voting by proxy in a separate vote from the Shareholder vote on the Arrangement Resolution. If the Shareholders approve the Rights Plan, it will be subject to formal approval and adoption by New NOVA's board of directors (which will be comprised of the same individuals as the Board of Directors of NOVA) and will only become operative if the Reorganization is implemented. Under the Rights Plan, Shareholders will receive, in respect of each New NOVA Common Share issued under the Arrangement, one right to purchase additional New NOVA Common Shares (a "Right") under the circumstances outlined in the Rights Plan (see "Terms of the Rights Plan"). The Rights will not be issued until the Arrangement Transactions have been implemented.

Recommendation of the Board of Directors

The Board of Directors has determined that the Rights Plan would be in the best interests of New NOVA and the holders of NOVA Common Shares who will become holders of New NOVA Common Shares as a result of the Arrangement. The Board of Directors unanimously recommends that the Shareholders vote in favour of the Rights Plan.

Background

As a result of the Arrangement New NOVA will be a widely held company and the New NOVA Common Shares will not be subject to the voting restrictions which exist under the NOVA Act. Currently, a person wishing to acquire shares of NOVA would be faced with a restriction in the NOVA Act prohibiting any shareholder from voting shares that carry more than 15% of the votes attaching to all voting shares of NOVA. It is intended in connection with the Reorganization that New NOVA adopt the Rights Plan in order to facilitate a response to an unsolicited take-over bid. The Rights Plan is designed to give adequate time for shareholders of New NOVA

to properly assess a bid without undue pressure and to allow competing bids to emerge. The Rights Plan will also give New NOVA's board of directors time to consider alternatives designed to allow shareholders to receive full and fair value for their New NOVA Common Shares. Additionally, the Rights Plan is designed to provide shareholders of New NOVA with equal treatment in a take-over bid. The desire to ensure that New NOVA retains some ability to address unsolicited take-over bids for its issued and outstanding voting shares during the five year term of the Rights Plan stems from a concern that Canadian take-over bid rules provide too short a response time to companies that are the subjects of unsolicited take-over bids to ensure that shareholders are offered full and fair value for their shares.

In considering whether to adopt the Rights Plan, the Board of Directors considered the current legislative and judicial framework in Canada and the United States governing take-over bids. This framework raises the following concerns:

(a) ***Time***

Securities legislation in Canada currently permits a take-over bid to expire in 21 days. The Board of Directors is of the view that this is not sufficient time to permit New NOVA to determine whether there may be alternative bidders prepared to pay more for the company's shares. Nor does this period provide shareholders with sufficient time to make a reasoned decision about the merits of competing bids. Under the Rights Plan, a bidder for the New NOVA Common Shares will not be permitted to take up any shares before the close of business on the 90th day after the date of the bid and provided that at least 50% of New NOVA's voting shares not held by the person making the bid are deposited, in which case the bid must be extended for 10 clear business days on the same terms.

(b) ***Pressure to Tender***

Shareholders of New NOVA may feel compelled to tender to a bid which they consider to be inadequate if they are concerned that they may be left with illiquid or minority discounted shares in the company if the bid succeeds and they have not tendered. This would be particularly so in the case of a partial bid for less than all shares of a class, where the bidder wished to obtain a control position but did not wish to acquire all of the New NOVA Common Shares. For this reason the Rights Plan requires that the bid be made for all New NOVA Common Shares and allows a shareholder to separate the tender decision from the approval or disapproval of a particular take-over bid. By requiring a bid that is permitted to remain open for acceptance for a period of 10 clear business days following the deposit of at least 50% of the New NOVA Common Shares, a shareholder's decision with respect to a bid is separated from the decision to tender, lessening undue pressure to tender. Moreover, the Rights Plan provides the board of directors of New NOVA with the ability to require that the initial offer stay open until the date on which a competing bid expires, provided that that date is no more than 120 days after the date on which the initial offer was made. The Rights Plan therefore enables a competing bid to come forward during the 90 day term of the initial offer in a manner that provides shareholders with an opportunity to tender their shares to the bid that they favour, all the while enabling shareholders to withdraw their shares should less than 50% of New NOVA's Common Shares be tendered to their preferred bid. Shareholders would then have an opportunity to tender their shares to a competing bid to which more than 50% of the New NOVA Common Shares had been tendered.

(c) ***Unequal Treatment***

Shareholders of New NOVA will be vulnerable to discriminatory acquisition tactics because the different securities laws in Canada and the United States, the principal trading markets for the New NOVA Common Shares, could form the basis for unequal treatment of shareholders. The Rights Plan is intended to address this jurisdictional gap and to ensure equal treatment of shareholders regardless of country of residence or size of holdings. The Board of Directors was also concerned that a person seeking such control might attempt, among other things, a gradual accumulation of shares in the open market; the accumulation of a large block of shares in a highly compressed period of time from institutional shareholders and professional speculators or arbitrageurs; a partial offer that unfairly pressures shareholders; or an offer for any or all New NOVA Common Shares at less than full and fair value. The Rights Plan effectively prohibits the acquisition of greater than 15% of the New NOVA Common Shares in this manner and is designed to provide shareholders with equal treatment in a take-over bid and full value for their investment.

Purpose

The purpose of the Rights Plan is to give adequate time for shareholders of New NOVA to properly assess the merits of a bid without undue pressure and to allow competing bids to emerge. The Rights Plan is designed

to give New NOVA's board of directors time to consider alternatives designed to allow shareholders to receive full and fair value for their New NOVA Common Shares. The adoption of the Rights Plan does not affect the duty of the New NOVA board to act honestly and in good faith with a view to the best interests of New NOVA and its shareholders. Nor does the Rights Plan inhibit any shareholder from using the proxy mechanism set out in the ABCA to promote a change in the management or direction of New NOVA, including the right of holders of not less than five percent of the issued shares that carry the right to vote to requisition the directors to call a meeting of shareholders to transact any proper business stated in the requisition.

The issuance of the Rights will not in any way alter the financial condition of New NOVA. The issuance is not of itself dilutive, will not affect reported earnings per share and will not change the way in which shareholders would otherwise trade New NOVA Common Shares. By permitting holders of Rights other than an "Acquiring Person" (as defined below) to acquire shares of New NOVA at a discount to market value the Rights may cause substantial dilution to a person or group that acquires 15% or more of the voting securities of New NOVA without the Rights being redeemed.

The Rights Plan should provide adequate time for shareholders to assess a bid and to permit competing bids to emerge. It also gives New NOVA's board of directors sufficient time to explore other options. A potential bidder can avoid the dilutive features of the Rights Plan by making a bid that conforms to the conditions specified in the Permitted Bid provisions.

To qualify as a Permitted Bid, a take-over bid must be made for all New NOVA Common Shares and must be open for 90 days after the bid is made (and up to 120 days in the event that a Competing Permitted Bid emerges). If at least 50% of the New NOVA Common Shares not held by the bidder are deposited, the bidder may take up and pay for such shares and the bid must remain open for a further period of 10 clear business days on the same terms.

The requirements applicable to a take-over bid made as a Permitted Bid will enable each shareholder to make two separate decisions. First, a shareholder will decide whether the bid or any competing bid is adequate and in making this decision the shareholder need not be influenced by whether the bid will succeed. If there is sufficient support such that at least 50% of New NOVA Common Shares have been tendered, a shareholder who has not already tendered or that tendered to a competing bid will have a further 10 clear business days to decide whether to withdraw his or her shares from a competing bid, if any, and whether to tender to the bid.

Since October 1988, over 40 Canadian companies have adopted a rights plan. All Canadian companies that have adopted a rights plan and submitted them to their shareholders for approval have reported that their shareholders have confirmed or ratified the adoption of the plan by a majority of the shares voted. Over 1,700 companies in the United States have adopted a rights plan.

Deliberations of NOVA Board

The Board of Directors of NOVA considered the foregoing issues and received the advice of RBC Dominion Securities. It also received the advice of the law firms of Bennett Jones Verchere and Osler, Hoskin & Harcourt as to corporate and securities regulatory matters.

In the course of these deliberations the Boards of Directors considered a number of options available to New NOVA upon the expiration of the five year term of the Rights Plan. These options include the possibility of recommending to shareholders the adoption of another shareholder rights plan to continue the protection that will be afforded by the Rights Plan. The New NOVA board of directors will consider the options available to it at the end of the five year term and at that time will decide upon what course of action is then in the best interests of New NOVA and its shareholders.

Terms of the Rights Plan

The following is a summary of the terms of the Rights Plan which is qualified in its entirety by reference to the full text of the Rights Plan Agreement annexed as Schedule D to this Information Circular.

Trading of Rights

The Rights Plan Agreement provides that until the Separation Time (as defined below), the Rights will not be exercisable. Further, each Right will only be transferable together with the associated New NOVA Common

Share and each Right will be evidenced by the certificate for the associated New NOVA Common Share. Before the Separation Time, any new certificates issued on the transfer of New NOVA Common Shares or the issuance of additional New NOVA Common Shares from treasury will contain a notation incorporating the Rights Plan Agreement by reference. Until the Separation Time (or earlier expiration of the Rights), the surrender for transfer of any certificates representing New NOVA Common Shares outstanding will also constitute the transfer of the Rights associated with such New NOVA Common Shares. Promptly following the Separation Time, separate certificates evidencing the Rights (the “Rights Certificates”) will be mailed to holders of record of New NOVA Common Shares as of the Separation Time and the separate Rights Certificates will evidence the Rights.

Separation Time

The Rights will separate and trade separately from the New NOVA Common Shares after the Separation Time. The “Separation Time” is the close of business on the eighth trading day following the earlier of (i) the date (the “Share Acquisition Date”) of the first public announcement made by New NOVA or an Acquiring Person (as defined below) that a person has become an Acquiring Person; and (ii) the date of the commencement of, or first public announcement of the intent of any person to commence, a take-over bid (other than a Permitted Bid or a Competing Permitted Bid) which, if successfully completed, would result in such person becoming an Acquiring Person. If a take-over bid that is not a Permitted Bid or a Competing Permitted Bid is commenced or the intention to make such a bid is announced, and prior to the close of business on the eighth trading day thereafter the take-over bid expires or is cancelled, terminated or otherwise withdrawn, it shall be deemed, for the purposes of determining the Separation Time, never to have been made.

Acquiring Person

An “Acquiring Person” is a person who owns Beneficially (as defined below) 15% or more of the New NOVA Common Shares subject to certain specific exceptions. The term “Acquiring Person” does not include any person who becomes the Beneficial owner of 15% or more of the New NOVA Common Shares as a result of one or a combination of: (A) an acquisition or redemption by New NOVA or a subsidiary of New NOVA of New NOVA Common Shares of any class which, by reducing the number of New NOVA Common Shares outstanding, increases the percentage of New NOVA Common Shares Beneficially owned by a person to 15% or more; or (B) share acquisitions made pursuant to a Permitted Bid or a Competing Permitted Bid.

If a person referred to in (A) or (B) above subsequently becomes the Beneficial owner of additional New NOVA Common Shares, other than through a Permitted Bid or a Competing Permitted Bid or as a result of a Pro Rata Acquisition (as defined below), upon the date of the acquisition of additional New NOVA Common Shares, such person shall become an Acquiring Person (assuming that such person then owns in excess of 15% of the outstanding New NOVA Common Shares).

Under the Rights Plan Agreement, a person is deemed to “Beneficially own”, to have “Beneficial ownership” of and to be the “Beneficial owner” of:

- (i) any securities as to which such person, or any of such person’s affiliates or associates, is the direct or indirect beneficial owner, and for this purpose a person shall be deemed to be a beneficial owner of all securities (1) owned by a partnership of which such person is a partner; (2) owned by a trust of which such person is a beneficiary; (3) owned jointly or in common with others; and (4) of which such person may be deemed to be the beneficial owner pursuant to the provisions of the ABCA, the Alberta Securities Act, the Ontario Securities Act or Rule 13d-3 or Rule 13d-5 under the U.S. Exchange Act;
- (ii) any securities as to which such person, or any of such person’s affiliates or associates has, directly or indirectly, (1) the right to acquire pursuant to any agreement, arrangement, pledge or understanding, whether or not in writing (other than customary agreements with and between underwriters and/or banking group and/or selling group members with respect to a *bona fide* public offering of securities and other than pledges of securities in the ordinary course of business that meet all the conditions specified in Rule 13d-3 under the U.S. Exchange Act), or upon the exercise of any conversion right, exchange right, share purchase right (other than the Rights), warrant or option, or otherwise, or (2) the right to vote such securities pursuant to any agreement, arrangement, pledge or understanding (whether or not in writing), or otherwise; and

(iii) any securities which are Beneficially owned, directly or indirectly, as described above, by any other person with whom such person or any of such person's affiliates or associates has any agreement, arrangement or understanding (whether or not in writing) with respect to or for the purpose of acquiring, holding, voting or disposing of any New NOVA Common Shares (other than customary agreements with and between underwriters and/or banking group and/or selling group members with respect to a *bona fide* public offering of securities) or acquiring, holding or disposing of a significant portion of the property or assets of New NOVA or any subsidiary of New NOVA.

A person shall not be deemed to Beneficially own any security:

- (A) solely because such security has been deposited or tendered pursuant to a take-over bid made by such person or any of such person's affiliates or associates until such deposited security has been taken up or paid for, whichever shall first occur;
- (B) solely because such person or any of such person's affiliates or associates has or shares the power to vote or direct the voting of such security pursuant to a revocable proxy given in response to a public proxy solicitation made pursuant to and in accordance with the applicable rules and regulations under the ABCA, the Alberta Securities Act and the Ontario Securities Act or solely because such person has an agreement, arrangement or understanding with respect to a shareholder proposal or matter to come before a meeting of shareholders including the election of directors;
- (C) solely because such person or any of such person's affiliates or associates has or shares the power to direct the voting of such security in connection with or in order to participate in a public proxy solicitation made or to be made pursuant to and in accordance with the applicable rules and regulations referred to in (B) above or solely because such person has an agreement, arrangement or understanding with respect to a shareholder proposal or matter to come before a meeting of shareholders including the election of directors; or
- (D) solely because such person holds or exercises voting or dispositive power over such security provided that: (1) a substantial portion of the ordinary business of such person (the "Investment Manager") is the management of investment funds for others and such voting or dispositive power over such security is held by the Investment Manager in the ordinary course of such business in the performance of the Investment Manager's duties for the fully managed account of any other person who is not an associate or affiliate of the Investment Manager; or (2) such person (the "Trust Company") is licensed to carry on the business of a trust company under the laws of Canada or any province thereof and, as such, acts as trustee or administrator or in a similar capacity in relation to the estates of deceased or incompetent persons and holds such voting or dispositive power over such security in the ordinary course of such duties for the estate of any such deceased or incompetent person or for such other accounts, where such estate or any beneficiary thereof is not an associate or affiliate of the Trust Company; and (3) the Investment Manager or the Trust Company, as the case may be, has not made or is not then making a take-over bid alone or by acting jointly or in concert with any other person.

A "Pro Rata Acquisition" means an acquisition of New NOVA Common Shares by such means as a stock split or a stock dividend, where a person receives or acquires New NOVA Common Shares on the same pro rata basis as all other holders of New NOVA Common Shares, but does not include acquisitions under the New NOVA DRSP.

To the knowledge of management of NOVA, as at March 4, 1994, no person or company owned more than 5% of the NOVA Common Shares and no person is expected to own more than 5% of the New NOVA Common Shares as of the Effective Date.

Permitted Bid

A Permitted Bid is a take-over bid made in compliance with all applicable securities laws and regulations and which is not exempted from:

- (i) the provisions of the Alberta Securities Act applicable to formal take-over bids;
- (ii) the provisions of the Ontario Securities Act applicable to formal take-over bids; and
- (iii) the provisions of the U.S. Exchange Act applicable to formal take-over bids.

The above provisions establish rules for making a formal take-over bid and regulate such matters as the form of the offering document, the deposit period (that is, the length of time that securities may be deposited pursuant to the bid), withdrawal rights in connection with securities deposited under the bid, the taking up of securities and payment therefor by the party making the bid. An example of a take-over bid which would be specifically exempted from the above requirements (and which would not qualify as a Permitted Bid or a Competing Permitted Bid) would be a take-over bid consisting of purchases of securities from not more than five persons in the aggregate, where an offer to acquire securities has not been made generally to security holders of the class of securities purchased and the value of the consideration paid for the securities (including brokerage fees and commissions) does not exceed 115% of the market price of securities of that class at the date of the bid, determined in accordance with the Alberta Securities Act.

A Permitted Bid will be a take-over bid that is not exempt from the above-mentioned statutory requirements and that is a take-over bid made for all New NOVA Common Shares and to all holders of record of New NOVA Common Shares as registered on the books of New NOVA. A Permitted Bid will also have to comply with the following additional provisions:

- (i) the offeror must not Beneficially own more than 10% of the outstanding New NOVA Common Shares;
- (ii) the take-over bid must not expire until the later of: (a) 90 days following the date of the bid (and up to 120 days in the event that a Competing Permitted Bid emerges); and (b) 10 clear business days following the time at which at least 50% of the New NOVA Common Shares held by shareholders other than the offeror are deposited and not withdrawn;
- (iii) the take-over bid must provide that New NOVA Common Shares may be deposited at any time during the period between the date of the take-over bid and the date on which those shares may be taken up and paid for and that any New NOVA Common Shares deposited pursuant to the take-over bid may be withdrawn until taken up and paid for;
- (iv) the take-over bid must provide that New NOVA Common Shares may only be taken up and paid for if more than 50% of the New NOVA Common Shares held by shareholders of New NOVA other than the offeror have been deposited or tendered and not withdrawn; and
- (v) when the offer has been made, no further New NOVA Common Shares may be acquired by the bidder except pursuant to the Permitted Bid or as may otherwise be permitted under the Rights Plan.

A Competing Permitted Bid will not have to be outstanding for a minimum of 90 days but will instead have to be outstanding for at least as long as the initial Permitted Bid.

Flip-in Event

A Flip-in Event occurs when any person becomes an Acquiring Person. When a Flip-in Event occurs each Right (except for Rights Beneficially owned by an Acquiring Person or certain transferees of an Acquiring Person, which Rights shall be void pursuant to the Rights Plan Agreement) becomes a right to purchase from New NOVA, upon exercise thereof in accordance with the terms of the Rights Plan Agreement, that number of New NOVA Common Shares having an aggregate market price on the date of consummation or occurrence of such Flip-in Event equal to twice the Exercise Price for an amount in cash equal to the Exercise Price (such right to be subject to adjustment in accordance with the Rights Plan Agreement — see “Protection Against Dilution”). For example, if at the time of such announcement the Exercise Price is \$30 and the New NOVA Common Shares have a Market Price (as defined in the Rights Plan Agreement) of \$10, the holder of each Right would be entitled to receive \$60 in market value of the New NOVA Common Shares (six Common Shares) for \$30, i.e. at a 50% discount.

Waiver, Redemption and Extension

The board of directors of New NOVA may waive the application of the Rights Plan to an inadvertent Flip-in Event, provided that:

- (i) the board of directors of New NOVA determines within eight days of the Share Acquisition Date that a person became an Acquiring Person by inadvertance and without any intention to become, or knowledge that he would become, an Acquiring Person; and

- (ii) such person has, within 10 days after such determination or such earlier or later date as the board of directors of New NOVA may determine (the “Disposition Date”), reduced his Beneficial ownership of New NOVA Common Shares such that at the time of the granting of a waiver such person is no longer an Acquiring Person. If the person remains an Acquiring Person at the close of business on the Disposition Date, then the Disposition Date will become a new Stock Acquisition Date.

Additionally, the board of directors of New NOVA acting in good faith may, at its option, elect to redeem all, but not less than all, of the then outstanding Rights. This redemption may be made effective at such time, on such basis and with such conditions as the board of directors of New NOVA in its sole discretion may establish.

The Rights Plan also provides that in the event that one or more Competing Permitted Bids (which shall be required to stay open for at least as long as the initial Permitted Bid) are made after a Permitted Bid has been made, the board of directors of New NOVA acting in good faith may require that the Permitted Bid stay open until the close of business on the latest date on which a Competing Permitted Bid expires, provided that that date is no later than 120 days after the date on which the Permitted Bid was made.

Protection Against Dilution

The Exercise Price, the number and nature of securities which may be purchased upon the exercise of the Rights and the number of Rights outstanding will be adjusted to prevent dilution:

- (i) in the event of a stock dividend on, or a subdivision, consolidation or issuance of, New NOVA Common Shares (or other exchangeable or convertible securities) in exchange for existing New NOVA Common Shares;
- (ii) upon the grant to holders of New NOVA Common Shares of certain rights, options or warrants to subscribe for New NOVA Common Shares or convertible securities at less than the current market price of the New NOVA Common Shares; or
- (iii) upon the distribution to holders of New NOVA Common Shares of evidences of indebtedness, cash (excluding annual cash dividends, as defined in the Rights Plan Agreement, or a dividend paid in New NOVA Common Shares), assets or rights, options or warrants (other than those referred to above).

Supplements and Amendments

The board of directors of New NOVA may from time to time supplement or amend the Rights Plan Agreement without the approval of the holders of New NOVA Common Shares or Rights in order to cure any ambiguity or to correct or supplement any provision contained in the Rights Plan Agreement which may be inconsistent with the intent thereof or which is otherwise defective.

New NOVA may also, with the consent of the holders of New NOVA Common Shares given at any time before the Separation Time, amend, vary or rescind the provisions of the Rights Plan Agreement. Such consent must be provided by holders of New NOVA Common Shares at a special meeting held in compliance with applicable laws and regulatory requirements and in compliance with the requirements of the articles and by-laws of New NOVA. Subject to compliance with any requirements imposed by the foregoing, consent shall be given if the proposed amendment is approved by the affirmative vote of a majority of the votes cast by the holders of New NOVA Common Shares represented in person or by proxy at the special meeting other than New NOVA Common Shares Beneficially owned by a person who is making a take-over bid that is not a Permitted Bid or a Competing Permitted Bid.

After the Separation Time the Rights Plan Agreement may only be amended with the consent of the holders of Rights. Such consent must be provided by the holders of Rights at a special meeting held in compliance with applicable laws and regulatory requirements and to the extent possible, in compliance with the requirements in the articles and by-laws of New NOVA applicable to meetings of shareholders. Subject to compliance with any requirements imposed by the foregoing, consent shall be given if the proposed amendment is approved by the affirmative vote of a majority of the votes cast by the holders of Rights represented in person or by proxy at the special meeting other than holders whose Rights have become void.

Canadian Federal Income Tax Consequences of the Rights Plan

New NOVA will not have any income for the purposes of the ITA as a result of the issuance of the Rights. The ITA provides that the value of a right to acquire additional shares of a corporation is not a taxable benefit which must be included in income and is not subject to non-resident withholding tax if the right is conferred on all holders of common shares. Although the Rights are to be so conferred, the Rights may become void in the hands of certain holders of New NOVA Common Shares upon certain triggering events occurring (see “Flip-in Event”) and, consequently, whether or not the issue of the Rights is a taxable event is not entirely free from doubt. In any event, no amount must be included in income if the Rights do not have a monetary value at the date of issue. New NOVA considers that the Rights, when issued, will have negligible monetary value, there being only a remote possibility that the Rights will ever be exercised. The holder of Rights may have income or be subject to withholding tax under the ITA if the Rights become exercisable or are exercised, although there is only a remote possibility of the occurrence of a transaction or event that would have this result. The holder of Rights may be subject to tax in respect of the proceeds of disposition of such Rights.

This statement is of a general nature only and is not intended to constitute nor should it be construed to constitute legal or tax advice to any particular holder of New NOVA Common Shares. Such shareholders are advised to consult their own tax advisors regarding the consequences of acquiring, holding, exercising or otherwise disposing of their Rights, taking into account their own particular circumstances and applicable foreign, provincial or territorial legislation.

United States Federal Income Tax Consequences of the Rights Plan

As the possibility of the Rights becoming exercisable is both remote and speculative, the adoption of the Rights Plan will not constitute the distribution of stock or property by New NOVA to its shareholders, an exchange of property or stock, or any other event giving rise to the realization of gross income by any shareholder. The holder of Rights may have taxable income if the Rights become exercisable or are exercised or sold. In the event the Rights should become exercisable, shareholders should consult their own tax advisor concerning the consequences of acquiring, holding, exercising or disposing of their Rights.

Other Corporate Governance Matters

The articles and by-laws of New NOVA and of Transmission provide that the head offices of those corporations shall be in the City of Calgary, Alberta. The articles and by-laws of each of New NOVA and Transmission also provide that at least a majority of each corporation’s board of directors shall be residents of Alberta.

THE NOVA ACT AND FUTURE REGULATION OF NEW NOVA AND TRANSMISSION

NOVA is currently regulated under the NOVA Act. The NOVA Act provides, among other things, the following:

- (a) a majority of NOVA’s directors shall be Alberta residents, and NOVA’s head office shall be in Calgary, Alberta (the “Alberta Provisions”);
- (b) the Lieutenant Governor in Council of Alberta shall appoint four of the directors of NOVA and an additional four directors of NOVA shall be individuals who are or have been, directly or indirectly, involved in the business of a gas producer (the “Director Provisions”);
- (c) no person alone or in concert may vote more than 15% of the outstanding voting shares of NOVA (the “Voting Restrictions”);
- (d) NOVA shall not own or operate pipeline facilities outside of Alberta involving the transportation of hydrocarbons produced in Alberta from Alberta except to the extent permitted by regulation, nor shall it enter into any agreement with a gas export company whereby the gas export company gains or might gain any control over NOVA, its pipelines or facilities, nor shall it continue its corporate existence into another jurisdiction (the “Jurisdictional Provisions”);
- (e) NOVA shall not sell, lease or exchange all or substantially all of its property or, without the prior consent of the Lieutenant Governor in Council, dissolve, liquidate or amalgamate its corporate existence (the “Corporate Restrictions”); and

(f) NOVA may fix its rates, tolls and other charges, subject to a public hearing before the PUB on the complaint of any interested party, and NOVA may prescribe its terms and conditions of service, subject to a public hearing before the Alberta Energy Resources Conservation Board on the complaint of any interested party (the “Regulatory Provisions”).

New NOVA will not be subject to any of the provisions or restrictions of the NOVA Act, except that on the request of the Alberta Government, it has included in its articles and by-laws provisions which are the same as the Alberta Provisions.

Representatives of the Alberta Government have expressed support in principle for the Reorganization and have undertaken to assist NOVA in clarifying the regulation of Transmission after the Effective Date. To that end, NOVA has requested legislation to repeal the NOVA Act. If this request is granted and legislation in the form requested is introduced, passed and proclaimed, it will have the following effect on Transmission:

- (a) all but the Regulatory Provisions and certain related definitions and provisions will no longer apply immediately after the Effective Date;
- (b) NOVA will retain the Alberta Provisions in its articles and by-laws as it carries on as Transmission after the Effective Date;
- (c) the Director Provisions, the Voting Restrictions and the Corporate Restrictions, having been repealed on the Effective Date, will no longer apply to Transmission but, pursuant to interim provisions and an amendment to the GUA, from and after the Effective Date Transmission will be a designated owner of a gas utility under Sections 25.1 and 26 of the GUA, which sections provide for certain restrictions on corporate activities similar to the Corporate Restrictions and contain a 50% transfer of ownership restriction in lieu of the Voting Restrictions;
- (d) the GUA will be amended on the Effective Date to add to it the Jurisdictional Provisions, which will thereafter continue to apply to Transmission under the GUA as they formerly applied to NOVA under the NOVA Act; and
- (e) the Regulatory Provisions will continue to apply to Transmission to the exclusion of the GUA’s regulatory regime until the close of business on December 31, 1994; thereafter the Regulatory Provisions will be repealed and from January 1, 1995 NOVA will be regulated under the GUA in the same manner as other Alberta gas utilities.

The retention of the Regulatory Provisions until January 1, 1995 will allow an orderly transition from regulation under the NOVA Act to traditional regulation under the GUA, and establish a “test year” for GUA purposes.

Although management of NOVA anticipates that legislation repealing the NOVA Act will be introduced and passed by the Alberta Legislature prior to the Effective Date having the effect described above, the final form of the legislation and the time at which it comes into effect will be decided by the Alberta Legislature. In the event that the legislation repealing the NOVA Act has not been passed prior to the Effective Date, the Reorganization will proceed and the NOVA Act will continue to apply in its entirety to Transmission. In the event that the NOVA Act has not been repealed on the Effective Date, New NOVA will continue to work with the Alberta Government towards repeal of the NOVA Act.

CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of the law firm of Osler, Hoskin & Harcourt, the following summary fairly describes the principal Canadian federal income tax considerations under the ITA generally applicable in respect of the Arrangement to Shareholders who, for purposes of the ITA, hold their NOVA Common Shares as capital property and deal at arm’s length with NOVA. NOVA Common Shares will generally be considered to be capital property to a Shareholder for purposes of the ITA unless they are held in the course of carrying on a business or have been acquired in a transaction or transactions considered to be an adventure in the nature of trade. Certain Shareholders who are resident in Canada and whose NOVA Common Shares might not otherwise qualify as capital property may be entitled to obtain such qualification by making the election provided by subsection 39(4) of the ITA. Shareholders who may not hold their NOVA Common Shares as capital property should consult their own tax advisors regarding their particular circumstances and the advisability of filing an election under section 85 of the ITA with New NOVA.

This summary is based upon the current provisions of the ITA, the regulations thereunder, an advance income tax ruling obtained from Revenue Canada which deals with certain of the matters discussed below, and counsel's understanding of the published administrative practice of Revenue Canada. This summary takes into account specific proposals to amend the ITA announced prior to the date hereof (the "Proposed Amendments"), although no assurances can be given that such changes will be enacted in the form presented or at all. This summary does not take into account or anticipate any other changes in law, whether by judicial, governmental or legislative action or decision, or the tax legislation of any province, territory or foreign jurisdiction.

This summary is of a general nature only and is not intended to be, and should not be construed to be, legal, business or tax advice to any particular Shareholder. Shareholders should consult their own tax advisors as to the tax consequences to them of the Arrangement in their particular circumstances.

Shareholders Resident in Canada

This part of the summary is applicable to Shareholders who, for purposes of the ITA, are resident in Canada.

Exchange of NOVA Common Shares

Except as described below, a Shareholder will not realize a capital gain or capital loss as a result of the exchange of NOVA Common Shares for New NOVA Common Shares. The adjusted cost base of NOVA Common Shares to a Shareholder will become the cost to such Shareholder of New NOVA Common Shares acquired on the exchange.

Under the Proposed Amendments, a Shareholder who is an individual (other than a trust) may elect to be deemed to have realized all or any part of a capital gain accrued on NOVA Common Shares to February 22, 1994 to the extent that such gain would be eligible for the \$100,000 lifetime capital gains exemption. Similar rules will apply to a personal trust or partnership, any beneficiary or member of which was an individual on February 21, 1994. Such a Shareholder's adjusted cost base of NOVA Common Shares will be increased by the amount of any such capital gain deemed to be realized. Shareholders should consult their own tax advisors as to the advisability of making such election in their own particular circumstances.

A Shareholder who held NOVA Common Shares on December 31, 1971 and thereafter without interruption will be subject to certain transitional rules in determining the Shareholder's adjusted cost base of NOVA Common Shares. Such Shareholders may wish to consult their own tax advisors as to the effect of these transitional rules in these circumstances.

A Shareholder may choose to recognize a capital gain or capital loss on the exchange by reporting the amount of capital gain or capital loss, otherwise determined, in the Shareholder's income tax return for the taxation year in which the exchange occurs. The amount of the capital gain (or capital loss) will be equal to the amount by which the Shareholder's proceeds of disposition, net of any costs of disposition, exceed (or are less than) the adjusted cost base of the Shareholder's NOVA Common Shares so exchanged. The Shareholder will be considered to have disposed of the NOVA Common Shares for proceeds of disposition equal to the fair market value of the New NOVA Common Shares received on the exchange and will be considered to have acquired such New NOVA Common Shares for an amount equal to the fair market value of the Shareholder's exchanged NOVA Common Shares.

A Shareholder may also choose to recognize only a portion of any capital gain that would otherwise be realized, by electing jointly in prescribed manner with New NOVA under section 85 of the ITA. The Shareholder will be considered to have disposed of NOVA Common Shares for proceeds of disposition equal to the elected amount chosen by the Shareholder, within certain limits generally ranging from the Shareholder's adjusted cost base of the NOVA Common Shares to their fair market value, and will be considered to have acquired the New NOVA Common Shares at an adjusted cost base equal to that elected amount. A Shareholder who wishes to make such an election should contact New NOVA by writing to NOVA Corporation of Alberta, P.O. Box 2535, Station "M", Calgary, Alberta, T2P 2N6, Attention: Shareholder Relations, Telephone: (Toll-Free) 1-800-661-8686.

Under the ITA, three-quarters of any capital gain realized by a Shareholder must be included in computing income as a taxable capital gain. Three-quarters of any capital loss may be deducted only against taxable capital gains in accordance with the provisions of the ITA. The amount of any such capital loss otherwise determined will, if the Shareholder is a corporation, be reduced by the amount of dividends or deemed dividends received on the NOVA Common Shares to the extent and under circumstances prescribed by the ITA. Similar rules apply to a corporation that is a member of a partnership or a beneficiary of a trust that owns NOVA Common Shares

prior to the Arrangement. Under the Proposed Amendments, the amount of any such capital loss otherwise determined will, if the Shareholder is an individual or qualifying trust or partnership that elected to realize all or any part of a capital gain accrued on NOVA Common Shares to February 22, 1994 as described above, be reduced by the amount of any such capital gain deemed to be realized. Similar rules will apply where such a capital loss, otherwise determined, is realized by a Shareholder who is a beneficiary of such a trust or a member of such a partnership, or did not deal at arm's length with such an individual, trust, partnership, beneficiary or member.

Dissenting Shareholders

A Dissenting Shareholder who receives payment equal to the fair value of the Shareholder's NOVA Common Shares will generally be deemed to have received a dividend equal to the amount by which the payment exceeds the paid-up capital of such shares, and will realize a capital gain (or capital loss) to the extent that the paid-up capital of such shares, net of any costs of disposition, exceeds (or is less than) the Shareholder's adjusted cost base of such shares. As noted above, any capital loss otherwise determined for a Dissenting Shareholder who is a corporation will be reduced by dividends received on such shares, including any such deemed dividend, to the extent and under the circumstances described in the ITA. NOVA estimates that as of February 28, 1994 the paid-up capital for purposes of the ITA of each NOVA Common Share will be \$4.66. The treatment of capital gains and losses has been discussed above under "Exchange of NOVA Common Shares".

Deemed dividends received by a Shareholder who dissents from the Arrangement will be included in computing the Shareholder's income for purposes of the ITA. The gross-up and dividend tax credit rules normally applicable to taxable dividends paid by taxable Canadian corporations will apply to deemed dividends received by individuals and deemed dividends received by corporations will normally be deductible in computing taxable income. Certain corporations may be liable to pay a 25% refundable tax under Part IV of the ITA on such deemed dividends and in certain cases all or part of a deemed dividend received by a corporation may be treated as a capital gain on the disposition of capital property. Corporate Shareholders should consult their own tax advisors for advice with respect to the potential application of these provisions.

Shareholders Not Resident in Canada

This part of the summary is applicable to Shareholders who, for purposes of the ITA, are not residents of Canada and to whom the NOVA Common Shares are not taxable Canadian property. Such shares will not be taxable Canadian property provided that the Shareholder does not use or hold, and is not deemed to use or hold, such shares in connection with carrying on a business in Canada, the Shareholder has not, either alone or in combination with persons with whom the Shareholder does not deal at arm's length, owned (or had an option to acquire) 25% or more of the issued shares of any class or series of the capital stock of NOVA at any time within five years preceding the Effective Date, and the Shareholder has not elected under the ITA to treat such shares as taxable Canadian property upon ceasing to be a resident of Canada.

A Shareholder, other than a Dissenting Shareholder, will not be subject to income tax under the ITA on the exchange of the NOVA Common Shares.

A Dissenting Shareholder who becomes entitled to a payment equal to the fair value of the Shareholder's NOVA Common Shares will be considered to have had such shares cancelled for an amount equal to the amount of such entitlement. A Dissenting Shareholder will be deemed to have received a dividend (at the time he is paid such entitlement, net of Canadian withholding tax) equal to the amount by which the amount of such entitlement exceeds the paid-up capital of such shares. NOVA estimates that as of February 28, 1994, the paid-up capital for purposes of the ITA of each NOVA Common Share will be \$4.66. Under the ITA, dividends are subject to withholding tax at the rate of 25% but such rate may be reduced under the provisions of any tax treaty between Canada and the country of the Shareholder's residence. For U.S. residents, the treaty reduced rate generally applicable is 15%. Any capital gain realized by a Dissenting Shareholder will not be taxed under the ITA if the NOVA Common Shares in respect of which the right of dissent is exercised are not "taxable Canadian property" as described above.

U.S. FEDERAL INCOME TAX CONSIDERATIONS

NOVA has received an opinion from the law firm of Baker & McKenzie, its special U.S. tax counsel, that for U.S. federal income tax purposes, the Arrangement will constitute a tax-free exchange within the meaning of Section 351 of the Code.

As a result of the Arrangement, (i) no gain or loss will be recognized by Shareholders who receive New NOVA Common Shares in exchange for their NOVA Common Shares; (ii) the basis of the New NOVA Common Shares to be received by Shareholders in the Arrangement will be the same as the basis of the NOVA Common Shares surrendered in exchange therefor; and (iii) the holding period of the New NOVA Common Shares to be received by Shareholders in the Arrangement will include the holding period of the respective NOVA Common Shares exchanged therefor, provided that the NOVA Common Shares are held as capital assets of the Shareholders on the Effective Date.

Dissenting Shareholders who receive cash proceeds as a result of exercising their rights under the ABCA to dissent from the Arrangement, and who after the Arrangement no longer own directly or constructively any NOVA stock, generally will recognize gain or loss equal to the difference between the proceeds received and the tax basis of the NOVA Common Shares surrendered in exchange for the proceeds. Such gain or loss will constitute capital gain or loss if the NOVA Common Shares surrendered are held as a capital asset on the Effective Date. Under Section 318 of the Code, a Dissenting Shareholder may constructively own NOVA stock that is owned, directly or constructively, by certain family members, and by corporations, partnerships, and trusts in which the Dissenting Shareholder owns an interest. On the other hand, Dissenting Shareholders who after the Arrangement continue to own directly or constructively any NOVA stock, will recognize either capital gain or loss or ordinary dividend income. These Dissenting Shareholders should consult their tax advisors as to their U.S. tax consequences.

Section 367(a) of the Code can in some circumstances modify the tax-free exchange treatment otherwise applicable under Section 351 of the Code. As the Arrangement will be treated for U.S. federal income tax purposes as a transfer by each Shareholder of NOVA stock to New NOVA, which is an Alberta corporation, Shareholders who are U.S. persons (see below) will in some cases be subject to additional requirements to obtain tax-free treatment under Section 351 of the Code. Since (to the best of NOVA's knowledge) no Shareholders who are U.S. persons as of the date of the Arrangement will own 5% or more of both the total voting power and total value of the stock of New NOVA, the tax-free nature of the Arrangement to U.S. Shareholders will not be affected by Section 367(a). However, in the event that there are Shareholders of NOVA who are U.S. persons owning 5% or more of the total vote or total value of NOVA stock (including stock owned indirectly or constructively under Section 958 of the Code which applies principles similar to Section 318 of the Code) ("5% Shareholders") immediately prior to the Arrangement, such Shareholders must file a notice on IRS Form 926 with such Shareholder's federal income tax return for the year of the Arrangement. Failure to file such form can result in denial of tax-free treatment and, unless it can be established that the failure to file is due to reasonable cause and not to wilful neglect, a penalty of 25% of the gain realized applies. Section 367(a) will not, however, deny tax-free exchange treatment to a 5% Shareholder provided that such 5% Shareholder enters into a gain recognition agreement with the Internal Revenue Service and complies with certain reporting requirements under the applicable Treasury Regulations. The required gain recognition agreement obligates the 5% Shareholder in certain circumstances to recognize the gain (retroactive to the year of the Arrangement) that would have been taxable had the Arrangement not been a tax-free reorganization. U.S. persons who are or may be 5% Shareholders should consult their tax advisors for advice concerning the advisability of entering into a gain recognition agreement. For purposes hereof the term "U.S. person" means a citizen or resident of the United States, a partnership or corporation formed under the laws of a state of the United States or the District of Columbia and any estate or trust (other than a foreign estate or trust as defined in Section 7701(a)(31) of the Code).

In rendering the foregoing opinions, Baker & McKenzie has relied, in part, on certain representations by NOVA and, in part, on the U.S. Private Letter Ruling. The U.S. Private Letter Ruling holds that the Shareholders of NOVA and New NOVA will be in control of New NOVA within the meaning of Section 351 of the Code immediately after the Arrangement, a significant requirement for tax-free treatment under Section 351 of the Code. However, because of U.S. tax policy not to rule on the application of Section 351 to the formation of a holding company, the U.S. Private Letter Ruling does not specifically address the above opinions. Further, the U.S. Private Letter Ruling expresses no opinion on whether the Arrangement may result in a dividend to the Shareholders of NOVA. A dividend from NOVA to the Shareholders generally would be taxable to the U.S. Shareholders. In the opinion of Baker & McKenzie, the Arrangement should not result in a dividend that would be taxable to the Shareholders, other than possibly to certain Dissenting Shareholders as discussed above.

An opinion of counsel is not binding on the U.S. Internal Revenue Service or on the U.S. courts. Therefore, there can be no assurance that any of the favourable tax treatments pursuant to a tax-free exchange under Section 351 of the Code will be available to the Shareholders. Because of the complexity of the tax laws and because the tax consequences to any particular Shareholder may be affected by matters not discussed herein, the Shareholders are advised to consult their own tax advisors concerning the specific U.S. federal, state, local and foreign income tax consequences of the Arrangement.

RIGHTS OF DISSENTING SHAREHOLDERS

The Interim Order provides Shareholders with the right to dissent in respect of the Arrangement Resolution in the manner set out in Section 184 of the ABCA; **provided, however, that notwithstanding the provisions of Section 184 of the ABCA, for any Shareholder to be entitled to dissent, that Shareholder's written objection must be received by NOVA at or before the Meeting on May 6, 1994.** In the event the Arrangement becomes effective, any Dissenting Shareholder will be entitled to be paid by NOVA the fair value of the NOVA Common Shares held by such Shareholder determined as of the close of business on the last business day before the day on which the Arrangement Resolution is adopted.

The following is a summary of the applicable provisions of Section 184 of the ABCA, the full text of which is appended as Schedule E to this Information Circular. **The statutory provisions conferring the right of dissent are technical and complex. Any Shareholder who wishes to exercise the right of dissent should seek legal advice, as failure to comply strictly with the provisions of the ABCA may prejudice the right of dissent.**

A Dissenting Shareholder may claim under Section 184 of the ABCA only with respect to all the NOVA Common Shares held by that Dissenting Shareholder or on behalf of any one beneficial owner.

After the Arrangement Resolution is adopted, NOVA or a Dissenting Shareholder may make application to the Court to fix the fair value of the NOVA Common Shares of the Dissenting Shareholder. If an application is made to the Court, and unless the Court otherwise orders, NOVA must send to each Dissenting Shareholder an offer to pay an amount considered by the Board of Directors of NOVA to be the fair value of the NOVA Common Shares. The offer to each Dissenting Shareholder must be on the same terms and contain or be accompanied by a statement showing how the fair value was determined.

A Dissenting Shareholder may agree with NOVA on the payment of cash in respect of that Dissenting Shareholder's NOVA Common Shares, in the amount of NOVA's offer or otherwise, at any time before the Court pronounces an order fixing the fair value of the NOVA Common Shares.

On an application under Section 184 of the ABCA, the Court must make an order fixing the fair value of the NOVA Common Shares of all Dissenting Shareholders who are parties to the application, giving judgement in that amount against NOVA in favour of such Dissenting Shareholders, and fixing the time within which NOVA must pay that amount to such Dissenting Shareholders. The Court may in its discretion allow a reasonable rate of interest on the amount payable from the date on which a Dissenting Shareholder ceases to have any rights as a Shareholder until the date of payment.

A Dissenting Shareholder is not required to give security for costs in respect of an application to the Court to fix the fair value of his shares, and except in special circumstances shall not be required to pay the costs of the application or appraisal.

A Dissenting Shareholder ceases to have any rights as a Shareholder, including any right to receive future dividends, other than the right to be paid the fair value of that Dissenting Shareholder's NOVA Common Shares on the earliest of the filing of the Final Order with the Registrar, the making of an agreement between NOVA and the Dissenting Shareholder, and the pronouncement of the order of the Court fixing the fair value of the NOVA Common Shares in respect of which the Dissenting Shareholder dissents.

Until one of the foregoing events occur, the dissent may be withdrawn by the Shareholder or NOVA may rescind the Arrangement Resolution, and in either event proceedings under Section 184 shall be discontinued.

STOCK EXCHANGE LISTINGS

Prior to the date of this Information Circular the New NOVA Common Shares were conditionally approved for listing, subject to the filing of usual documentation, by the Alberta, Montreal and Toronto stock exchanges. The New York Stock Exchange has approved the listing of the New NOVA Common Shares, subject to official notice of issuance. As part of the Reorganization, application will be made to delist the NOVA Common Shares from the stock exchanges on which they currently trade with the result that New NOVA Common Shares will not be listed on the London or Swiss stock exchanges, on which the NOVA Common Shares are currently listed.

The NOVA Preferred Shares are listed on the Toronto and Alberta stock exchanges. The outstanding 7.60% Cumulative Redeemable First Preferred Shares and the 9½% Cumulative Redeemable Fixed/Floating Rate First Preferred Shares of NOVA are listed on the Montreal Exchange. The NOVA Preferred Shares will continue to

be so listed and traded as preferred shares of Transmission. The 10% Series B Debentures due May 20, 1996 of NOVA are listed on the Luxembourg Stock Exchange and will continue to be so listed and traded as debentures of Transmission. The outstanding 7½% Debentures due April 1, 2023 of NOVA are listed on the New York Stock Exchange and will continue to be so listed and traded as debentures of Transmission. The Warrants are listed on the Alberta, Montreal and Toronto stock exchanges and will continue to be so listed and traded.

CERTIFICATES REPRESENTING NEW NOVA COMMON SHARES

Upon the Arrangement becoming effective, certificates representing NOVA Common Shares need not be tendered for certificates representing New NOVA Common Shares. Pursuant to the Arrangement, the existing certificates for NOVA Common Shares will represent New NOVA Common Shares and the right to receive certificates representing an equivalent number of New NOVA Common Shares on exchange of such share certificates for common share certificates of New NOVA. Such an exchange of share certificates will be made on request of a former holder of NOVA Common Shares or upon a transfer of such shares.

ELIGIBILITY FOR INVESTMENT IN CANADA

In the opinion of Jack S. Mustoe, Senior Vice President, General Counsel and Corporate Secretary of NOVA and New NOVA, had the Arrangement become effective on the date hereof, the New NOVA Common Shares would be eligible investments on the date hereof, without resort to the so-called "basket provisions", or their purchase would not be prohibited, as the case may be, in each case subject to general investment provisions, and in certain cases subject to prudent investment requirements and to additional requirements relating to investment or lending policies or goals and the filing of such policies or goals, under or by the following statutes:

Insurance Companies Act (Canada)
Insurance Act (Alberta)
Insurance Act (Ontario)
an Act respecting insurance (Québec)
Trust and Loan Companies Act (Canada)
Loan and Trust Corporations Act (Alberta)
Loan and Trust Corporations Act (Ontario)
an Act respecting trust companies and savings companies (Québec)
Pension Benefits Standards Act, 1985 (Canada)
Employment Pension Plans Act (Alberta)
Pension Benefits Act (Ontario)
Supplemental Pension Plans Act (Québec)
Trustee Act (Alberta)
Commercial Investment Division Funds under the Alberta Heritage Savings Trust Fund Act (Alberta)

In the opinion of such counsel, had the Arrangement become effective on the date hereof, the New NOVA Common Shares, when listed on a prescribed stock exchange, would also be qualified investments on the date hereof for registered retirement savings plans, registered retirement income funds and deferred profit sharing plans under the ITA and would not be a prohibited investment for registered pension plans under the ITA.

Eligibility for Investment in Canada of the Rights

Had the Rights been issued on the date hereof, the Rights, when listed on a prescribed stock exchange, would be qualified investments under the ITA for registered retirement savings plans, registered retirement income funds and deferred profit sharing plans. Rights held in Canada that would ordinarily be dealt with by the holder thereof in Canada do not constitute "foreign property" of any deferred income plan or other taxpayer subject to Part XI of the ITA. The issue of the Rights will not affect the status under the ITA of the New NOVA Common Shares for such purposes.

Had the Arrangement become effective on the date hereof, the issue of the Rights immediately thereafter would not, subject to reasonable and prudent investment policies, standards and procedures, applicable quantitative restrictions and certain investment policies and procedures, affect the eligibility of the New NOVA Common Shares as investments for investors governed by statutes listed under "Eligibility For Investment in Canada".

INFORMATION CONCERNING NEW NOVA

GENERAL

After completion of the Reorganization, New NOVA will be the parent company of Transmission, Gas Services, Novacorp International and Novacor Chemicals.

New NOVA was continued under the ABCA and on January 10, 1994 it changed its name to NOVA Corporation. New NOVA is currently an inactive subsidiary of NOVA, with no material assets or liabilities, and therefore the disclosure of historical earnings and prior capitalization of New NOVA is not meaningful. After the Effective Date the financial statements of New NOVA will be presented using the continuity of interest method. This method assumes that the new corporate structure had always been in place. Accordingly, the financial statements of New NOVA, for the current year and prior years, will be substantially the same as the financial statements of NOVA. New NOVA's executive and registered office is located at 801 Seventh Avenue S.W., Calgary, Alberta, T2P 2N6.

The by-laws of New NOVA are in all material respects the same as the by-laws of NOVA except to the extent that the by-laws of NOVA reflect provisions of the NOVA Act.

BUSINESS OF NEW NOVA

New NOVA will act as a management corporation, providing strategic direction to Transmission, Gas Services, Novacorp International and Novacor Chemicals and to their respective subsidiaries. New NOVA may also issue equity and debt securities to the public to provide capital to Transmission, Gas Services, Novacorp International and Novacor Chemicals and related companies thereto, and to finance new investments.

FUTURE DIVIDEND POLICY

It is anticipated that New NOVA will initially pay quarterly dividends on New NOVA Common Shares in an amount equal to \$0.24 per share per annum, which is the dividend that has been paid on NOVA Common Shares since November 15, 1991. However, there can be no assurance that such dividends will be declared. The declaration and payment of dividends will be at the discretion of the board of directors of New NOVA which will consider earnings, capital requirements, the financial condition of New NOVA and other relevant factors.

When paying dividends to security holders not resident in Canada, New NOVA will be required under Canadian tax law to withhold and remit to the federal government a 25% non-resident withholding tax unless this rate is reduced by a tax treaty. A tax treaty between Canada and the United States generally reduces the rate to 10% if the holder is a company that holds 10% or more of the voting stock, and 15% in most other cases. Under certain circumstances, the Code allows U.S. residents to claim the tax withheld as a credit against their U.S. federal taxes payable.

FINANCIAL STATEMENTS

Management of NOVA believes, and its auditors, Ernst & Young (who are also auditors of New NOVA), concur, that the consolidated financial statements of New NOVA after giving effect to the Pre-Arrangement Transactions, the Arrangement Transactions and the Post-Arrangement Transactions will be in all material respects the same as the consolidated financial statements of NOVA before the Pre-Arrangement Transactions, the Arrangement Transactions and the Post-Arrangement Transactions, with the exception that the NOVA Preferred Shares will be reclassified from preferred shares in NOVA to minority interest.

Financial statements of New NOVA (either pro forma or historical) have not been included with this Information Circular, because they are not material to an informed judgment by Shareholders voting at the Meeting.

SHARE CAPITAL

On the Effective Date the authorized share capital of New NOVA will consist of an unlimited number of New NOVA Common Shares, an unlimited number of first preferred shares, issuable in series, and an unlimited number of second preferred shares, issuable in series. Based upon the number of NOVA Common Shares outstanding on March 4, 1994, it is expected that there will be approximately 461 million New NOVA Common Shares outstanding on the Effective Date. No New NOVA first preferred shares or second preferred shares will be issued and outstanding on the Effective Date.

New NOVA Common Shares

The rights, privileges, restrictions and conditions attaching to the New NOVA Common Shares are in all material respects identical to the rights, privileges, restrictions and conditions attaching to the NOVA Common Shares except that the voting restrictions applicable to the NOVA Common Shares pursuant to the NOVA Act will not apply to the New NOVA Common Shares. The New NOVA Common Shares carry one vote per share. Subject to the prior rights of holders of New NOVA preferred shares, the holders of New NOVA Common Shares share rateably in any dividends or distributions to the shareholders of New NOVA.

New NOVA Preferred Shares

The first preferred shares of New NOVA are issuable in series. The first preferred shares of each series rank on a parity with the first preferred shares of every other series and have preference over the second preferred shares and the New NOVA Common Shares and any other shares ranking junior to the first preferred shares with respect to the payment of dividends and the distribution of assets in the event of the liquidation, dissolution or winding-up of New NOVA. The directors of New NOVA are empowered to fix the number of first preferred shares and the rights to be attached to the first preferred shares of each series, including the amount of dividends and any conversion, voting and redemption rights. Subject to the foregoing and to applicable law, the holders of first preferred shares as a class are not entitled to receive notice of, attend or vote at meetings of the shareholders of New NOVA.

The second preferred shares of New NOVA are issuable in series. The second preferred shares of each series rank on a parity with the second preferred shares of every other series, rank junior to the first preferred shares and have preference over the New NOVA Common Shares and any other shares ranking junior to the second preferred shares with respect to the payment of dividends and the distribution of assets in the event of the liquidation, dissolution or winding-up of New NOVA. The directors of New NOVA are empowered to fix the number of second preferred shares and the rights to be attached to the second preferred shares of each series, including the amount of dividends and any conversion, voting and redemption rights. Subject to the foregoing and to applicable law, the holders of second preferred shares as a class are not entitled to receive notice of, attend or vote at meetings of the shareholders of New NOVA.

DIRECTORS OF NEW NOVA

The directors of New NOVA will be the current 17 directors of NOVA. For their names, municipalities of residence, principal occupations in the last five years and terms of office with NOVA, see "Annual Meeting Business — Election of Directors — Directors of NOVA and Nominees for Election as Directors". These directors will remain in office until the first annual meeting of the shareholders of New NOVA, which will be held in the spring of 1995. At that time, their terms of office will expire unless they are nominated and re-elected for a further one year term.

BENEFICIAL OWNERSHIP OF SECURITIES OF NEW NOVA

If the Reorganization is implemented, the directors of NOVA, who will be the directors of New NOVA, will own the same number of New NOVA Common Shares as the number of NOVA Common Shares they hold immediately before the Effective Date. For the beneficial ownership of NOVA Common Shares of each director of New NOVA as at March 4, 1994, see "Annual Meeting Business — Beneficial Ownership of Securities". All of the officers of New NOVA, as a group (11 persons), beneficially own, directly and indirectly, or exercise control or direction over, 3,098,426 NOVA Common Shares, as at March 4, 1994.

COMMITTEES OF THE BOARD OF DIRECTORS OF NEW NOVA

The committees, the duties of each committee and the membership in each committee of the board of directors of New NOVA will be the same as the current committees of the NOVA Board of Directors, all of which are outlined under "Annual Meeting Business — Committees of the Board of Directors".

EXECUTIVE OFFICERS OF NEW NOVA

The executive officers of New NOVA are the same persons, and hold the same positions, as the current executive officers of NOVA, except R. L. Pierce and D. G. Olafson, both of whom will retire from their executive officer positions with NOVA before the Meeting. For the names, positions held with NOVA and principal occupations within the last five years of the executive officers of New NOVA, see "Annual Meeting Business — Executive Officers".

EXECUTIVE COMPENSATION

The executive compensation policies and plans of New NOVA will be the same as those currently in place for NOVA. See "Annual Meeting Business — Report on Executive Compensation".

There will be no compensation of executive officers of New NOVA prior to the implementation of the Reorganization although all of them are currently compensated as executive officers of NOVA. All of the officers of New NOVA referred to herein are also presently officers of NOVA.

Executive officers receive, and after the Effective Date will receive, no director's fees for service on the board of directors of New NOVA or those of its subsidiaries or affiliates.

PRINCIPAL SHAREHOLDERS OF NEW NOVA

To the knowledge of management of NOVA, based on information as at March 4, 1994, there are no persons who are expected to own beneficially, directly or indirectly, or exercise control or direction over, more than 5% of the New NOVA Common Shares upon the implementation of the Reorganization.

AUDITORS, TRANSFER AGENTS AND REGISTRARS

The auditors of New NOVA are Ernst & Young, Chartered Accountants, of Calgary, Alberta. The transfer agents and registrars of the New NOVA Common Shares will be The R-M Trust Company, with offices in Vancouver, Calgary, Regina, Winnipeg, Toronto, Montreal and Halifax and Mellon Securities Trust Company, at its office in New York, New York.

INFORMATION CONCERNING TRANSMISSION, GAS SERVICES, NOVACORP INTERNATIONAL AND NOVACOR CHEMICALS

DOCUMENTS INCORPORATED BY REFERENCE

Information concerning Transmission, Gas Services, Novacor International and Novacor Chemicals is included in the documents incorporated by reference herein.

The following documents filed by NOVA with the securities commissions and similar regulatory authorities in Canada, and with the Securities and Exchange Commission in the United States, or any of them, are incorporated by reference herein:

- (a) Annual Information Form dated March 11, 1994 for the fiscal year ended December 31, 1993, which contains NOVA's audited comparative consolidated financial statements for the year ended December 31, 1993 and the report of the auditors thereon. The Annual Information Form does not incorporate any document by reference; and
- (b) Annual Report on Form 40-F dated March 28, 1994.

NOVA will send without charge to any person, on the written or oral request of any such person, by first class mail or other equally prompt means within one business day of receipt of such request, a copy of any or all of the foregoing documents incorporated herein by reference. Requests should be directed to:

NOVA Corporation of Alberta
P.O. Box 2535, Station "M"
Calgary, Alberta
T2P 2N6
Attention: Senior Vice President, General Counsel and Corporate Secretary
Telephone: (403) 290-6000

Any annual information form, material change reports (excluding confidential reports, if any), interim financial statements, financial statements and information circulars filed by NOVA with the securities commissions and similar regulatory authorities in Canada and with the Securities and Exchange Commission pursuant to Sections 13(a), 13(c), 14 or 15(d) of the U.S. Exchange Act, after the date hereof and prior to the date of the Meeting shall be deemed to be incorporated by reference herein.

Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purposes hereof to the extent that a statement contained herein (or in any other subsequently filed document that also is incorporated by reference herein) modifies or supersedes such statement. Any statement so modified or superseded shall not be deemed to constitute a part hereof except as so modified or superseded.

LEGAL MATTERS

Certain legal matters relating to the Reorganization and the Rights Plan will be passed on behalf of NOVA in Canada by Jack S. Mustoe, Senior Vice President, General Counsel and Corporate Secretary, and the law firms of Bennett Jones Verchere and Osler, Hoskin & Harcourt, and in the United States by the law firms of Orrick, Herrington & Sutcliffe and Baker & McKenzie.

GENERAL PROXY INFORMATION

GENERAL

This Information Circular is furnished in connection with the solicitation of proxies by and on behalf of the Board of Directors and the management of NOVA for use at the Meeting of the holders of NOVA Common Shares to be held on May 6, 1994 at 10:30 a.m., Edmonton time, at the Edmonton Convention Centre, 9797 Jasper Avenue, Edmonton, Alberta and at any adjournment thereof. Enclosed is a form of proxy for use at the Meeting. A copy of the Annual Report, which includes the consolidated financial statements of NOVA for the fiscal year ended December 31, 1993 to be presented to the Meeting is also enclosed.

Pursuant to the General By-law of NOVA, instruments of proxy must be received by the Corporate Secretary of NOVA no later than 5:00 p.m., Calgary time, on Thursday, May 5, 1994. Proxies may be delivered to the Corporate Secretary by using the enclosed postage prepaid self-addressed envelope, or by otherwise delivering them c/o The R-M Trust Company, 600 The Dome Tower, 333 Seventh Avenue S.W., Calgary, Alberta T2P 2Z1.

The approximate date on which this Information Circular and enclosed form of proxy are expected to be first mailed to holders of NOVA Common Shares is March 28, 1994.

REVOCABILITY OF PROXY

An instrument of proxy may be revoked by the person giving it at any time prior to the exercise thereof. If a person who has given a proxy attends personally at the Meeting at which such proxy is to be voted, such person may revoke the proxy and vote in person. In addition to revocation in any other manner permitted by law, a proxy may be revoked by instrument in writing executed by the holder of NOVA Common Shares or his attorney authorized in writing and deposited either at the registered office of NOVA at 801 Seventh Avenue S.W., Calgary, Alberta, Canada, at any time up to and including the last business day preceding the day of the Meeting, or any adjournment thereof, or with the chairman of the Meeting on the day of the Meeting, or any adjournment thereof, and upon either of such deposits the proxy is revoked.

PERSONS MAKING THE SOLICITATION

This solicitation of proxies is made by and on behalf of the Board of Directors and the management of NOVA and the costs thereof will be borne by NOVA. It is expected that the solicitation will be primarily by mail. Proxies may also be solicited by personal interviews, telephone or other telecommunication device, by directors, officers and employees of NOVA, who will not be specifically remunerated therefor. In addition, NOVA has retained The Proxy Solicitation Company Ltd., 55 University Avenue, Suite 1705, Toronto, Ontario M5J 2H7, at a fee of approximately \$20,000 plus out-of-pocket expenses, and Georgeson & Company Inc., Wall Street Plaza, New York, New York 10005, at a fee of approximately U.S. \$9,000 plus out-of-pocket expenses, to aid in the solicitation of proxies from individual and institutional investors in Canada and the United States, respectively.

No person is authorized to give any information or to make any representations other than those contained in this Information Circular and, if given or made, such information or representations must not be relied upon as having been authorized to be given or made.

EXERCISE OF DISCRETION

The NOVA Common Shares represented by the enclosed form of proxy will be voted or withheld from voting in accordance with the instructions of the holder thereof. **In the absence of such specification, such NOVA Common Shares will be voted in favour of the election of each of the directors named for the term specified on the form of proxy, in favour of the appointment of Ernst & Young as auditors and the authorization of the directors to fix their remuneration as such, in favour of the Arrangement Resolution, in favour of the approval of the Rights Plan and in favour of the approval of the amendment to the NOVA Option Plan.** The persons appointed under the enclosed form of proxy are conferred with discretionary authority with respect to amendments or variations of those matters specified in the proxy and Notice of Meeting and with respect to any other matters which may properly be brought before the Meeting or any adjournment thereof. At the time of printing this Information Circular the Board of Directors and the management of NOVA know of no such amendment, variation or other matter.

COMMON SHARES AND PRINCIPAL HOLDERS THEREOF

As of March 4, 1994, NOVA had outstanding 461,120,314 NOVA Common Shares. Each NOVA Common Share confers upon the holder thereof the right to one vote on a ballot, if called, on each matter that may properly be brought before the Meeting, except that the NOVA Act provides that no person alone or in concert with others may vote more than 15% of the outstanding voting shares.

The close of business on March 23, 1994 is the record date for the determination of holders of NOVA Common Shares entitled to notice of, and to attend and vote at, the Meeting. Any transferee or person acquiring NOVA Common Shares after such date may, on proof of ownership of NOVA Common Shares, demand not later than 10 days before the Meeting that his or her name be included in the list of persons entitled to attend and vote at the Meeting.

The representation in person or by proxy of at least 10% of the outstanding NOVA Common Shares is necessary to provide a quorum at the Meeting. Directors are elected by a plurality of the affirmative votes cast. A majority of the NOVA Common Shares which are voted in person or by proxy at the Meeting is required for approval of the appointment of Ernst & Young, approval of the Rights Plan and approval of the amendment to the NOVA Option Plan. The majority required to pass the Arrangement Resolution shall be at least 66 $\frac{2}{3}$ % of the votes cast by the NOVA Common Shareholders voting in person or by proxy at the Meeting.

As at March 4, 1994, no person or company, to the knowledge of the directors or senior officers of NOVA, beneficially owned, directly or indirectly, NOVA Common Shares carrying more than 5% of the voting rights attached to all outstanding NOVA Common Shares.

ANNUAL MEETING BUSINESS

ELECTION OF DIRECTORS

The NOVA Act provides for the Board of Directors to consist of a minimum of 15 directors and a maximum of 20 directors. The number of directors presently in office is 17, including those appointed by the Lieutenant Governor in Council as described below. The information given herein with respect to each of the directors is based upon information furnished to NOVA by each director.

Directors of NOVA and Nominees for Election as Directors

In accordance with the NOVA Act, the Articles of Continuance and the General By-law of NOVA, the Board of Directors has determined that 13 directors are to be elected at the Meeting by the Shareholders. The term of office proposed for each nominee for election as director is a term of one year expiring at NOVA's 1995 annual meeting or until a successor is earlier elected or appointed. However, if the Reorganization is implemented, NOVA will become a wholly-owned subsidiary of New NOVA on the Effective Date and will thereafter cease to hold public annual meetings. Instead all 17 current directors of NOVA, who will also be directors of New NOVA by the date of the Meeting, will be subject to nomination and election to the board of New NOVA at its first public annual meeting in the spring of 1995.

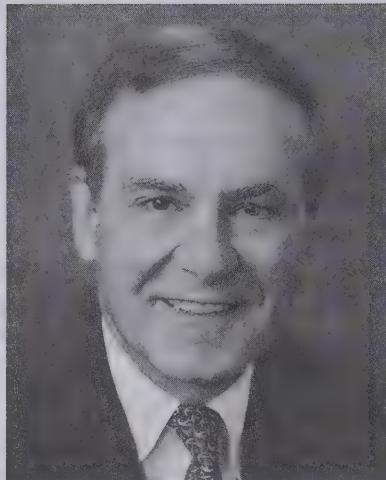
The nominees for election as directors of NOVA are J. B. Aird, F. P. Boer, R. B. Coleman, J. G. Day, R. F. Haskayne, H. N. Hotchkiss, W. N. Kissick, J. M. MacLeod, J. E. Newall, N. Pappas, R. L. Pierce, J. G. Rennie and C. E. Ritchie. Each person nominated for election at the Meeting is currently a director of NOVA.

The NOVA Act provides that four directors of NOVA must be residents of Alberta appointed by the Lieutenant Governor in Council of Alberta to hold office as directors for the respective terms specified by the Lieutenant Governor in Council. Messrs. William H. Comrie, J. Joseph Healy, Harold P. Milavsky and Daryl K. Seaman have been appointed by the Lieutenant Governor in Council. The terms of appointment of Messrs. Milavsky and Seaman will expire at the termination of the Meeting. The terms of appointment of Messrs. Comrie and Healy expire at the termination of the 1995 annual meeting of NOVA. All four of these directors will be subject to election as directors of New NOVA in 1995 if the Reorganization is implemented.

Set forth hereafter in alphabetical order is the principal occupation (including all positions currently held with NOVA) of each person who is a director of NOVA on the date hereof (including the 13 nominees and the four appointed directors), the period during which each has served as a director of NOVA and certain other directorships held by each such director. Each such director has held his or her present principal occupation or executive position with the same or associated firms for the past five years except as set forth below. Proxies in favour of the persons named in the accompanying form of proxy will be voted in favour of the election for a one year term of each of the 13 persons named in the proxy as nominees. The Board of Directors and management do not contemplate that any of the nominees will be unable to serve as a director, but if that should occur for any reason prior to the Meeting, the persons named in the enclosed form of proxy reserve the right to vote for another nominee in their discretion.



Hon. John B. Aird, C.C., Q.C. has been a director of NOVA since August 26, 1988. He is Counsel in the law firm Aird & Berlis in Toronto, Ontario, where he resides and prior to February 1993 he was Honorary Chairman and Senior Partner of that firm. He is Chancellor Emeritus of the University of Toronto and Third Visitor, Massey College, University of Toronto, and between 1980-1985 he served as the Lieutenant Governor of the Province of Ontario. The Hon. J. B. Aird is Chairman Emeritus of The Canadian Institute for Advanced Research, Honorary Chairman of the Board of The Consumers' Gas Company Ltd., a gas utility company, Honorary Chairman of the Board of Algoma Central Corporation, Honorary Director of The Molson Companies Limited, Special Representative of the Bermuda Commercial Bank Limited and also serves on the Boards of Economic Investment Trust Limited, INCO Limited, Rosseau Management Limited and Sherwood Inn, Limited.



Dr. F. Peter Boer has been a director of NOVA since February 21, 1991 and resides in Village of Gulf, Florida. He is Executive Vice President and Chief Technical Officer of W.R. Grace & Co. with responsibilities for research and development, engineering, business development, environmental, health and safety. Prior to January 1989 he was Senior Vice President of that company. He is Chairman of the National Medal of Technology Evaluation Committee in the United States Department of Commerce and serves on The Clean Air Act Advisory Committee of the Environmental Protection Agency and on the National Science Resource Board. He is affiliated with advisory committees at Princeton University, the University of Chicago, Texas A&M University and Georgia Institute of Technology. Dr. Boer holds an AB in Physics from Princeton University and a PhD in Chemical Physics from Harvard University and is the author of over 100 publications.



Ronald B. Coleman has been a director of NOVA since June 18, 1987. He resides in the City of Calgary and is president of R.B. Coleman Consulting Co. Ltd. and of Dominion Equity Resource Fund Inc., companies engaged in oil and gas activities. He also is a director of Dominion Equity Resource Fund Inc. and serves on the Boards of Landmark Corporation, The Maritime Life Assurance Company, Canadian Conquest Exploration Inc., LMK Energy Inc. and Conserve Energy Corporation.



William H. Comrie has been a director of NOVA since May 1, 1986. He resides in the City of Edmonton and is Chairman of The Brick Warehouse Corporation, a company engaged in the retail marketing of furniture, appliances and electronics. Until September 1991 he was also Chief Executive Officer of that company. He is also a director of the U.S.A./Canada Furniture Retailers' Association. He is the owner of the B.C. Lions Football Team, part-owner of the San Diego Gulls Hockey Team and part-owner of the San Diego Barracudas Professional Roller Hockey Team.



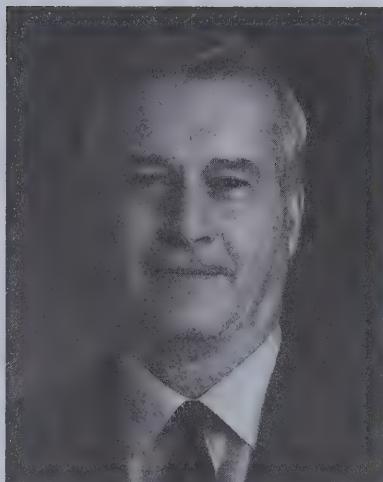
Sir J. Graham Day has been a director of NOVA since October 26, 1990. He resides in Hantsport, Nova Scotia and is retired. Prior to his retirement in 1993 he was Chairman of the Board of Cadbury Schweppes plc, a manufacturer of beverages and confectionery, and of Powergen plc, an electrical power generating company. Prior to April 1992 he was Chairman of the Board of British Aerospace plc, a company involved in defense industries and the manufacture of civil aircraft and automobiles. Prior to October 1991 he was Chairman of the Board of Rover Group Holdings plc, a company engaged in the manufacture and sale of automobiles and prior to January 1989 he was Chairman and Chief Executive Officer of that company. He is Chairman of the Board of Crombie Insurance Company (U.K.) Ltd. and also serves on the Boards of Altnacraig Shipping plc, Crownx Inc., Jebsons Thun Shipping (Luxembourg) SA, The Bank of Nova Scotia, The Laird Group plc, Thorn-Emi plc, Empire Company Limited, The Shaw Group Ltd. and Nova Scotia Power Inc.



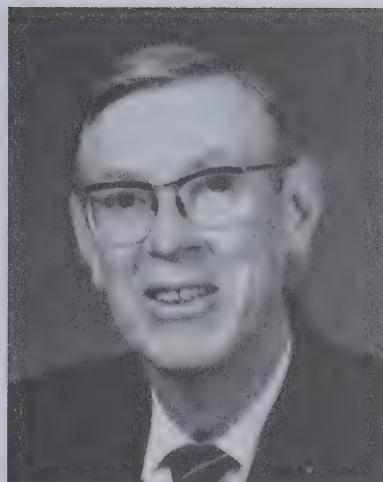
Richard. F. Haskayne, F.C.A. has been a director of NOVA since May 2, 1991 and Chairman of the Board since April 21, 1992. Prior to April 1992 he was Special Advisor to the Board of Directors of NOVA. He resides in the City of Calgary. Prior to April 1991 he was Chairman, President and Chief Executive Officer of Interhome Energy Ltd. He is also a director of the Canadian Imperial Bank of Commerce, Fording Coal Limited, Manufacturers Life Insurance Company, TransAlta Corporation, Alberta Energy Company Ltd., Crestar Energy Inc., Home Oil Company Limited and certain subsidiaries and affiliates of NOVA and is Chairman of the Board of Governors of the University of Calgary.



J. Joseph Healy has been a director of NOVA since April 19, 1977. He resides in the City of Edmonton and is the President of Healy Motors Limited, a company engaged in transportation. He also serves on the Boards of Healy Truck & Body Centre Ltd., Car Leasing (Alberta) Ltd. and Burnside Holdings Ltd.



Harley N. Hotchkiss has been a director of NOVA since May 11, 1979. He resides in the City of Calgary and is President and a director of Spartan Resources Ltd., Spartan Resources Inc. and other private companies investing in oil and gas, real estate and agriculture. He is President and a director of Riverbend Farms (Ontario) Ltd. and Colony Developments Ltd. and Chairman, Board of Management of Foothills Provincial Hospital. He also serves on the Boards of Conwest Exploration Company Limited, the Calgary Flames Hockey Club Ltd., Paragon Petroleum Corporation and Telus Corporation.



W. Norman Kissick, retired, has been a director of NOVA since February 28, 1992 and resides in Agincourt, Ontario. Prior to May 1991 he was Chairman and Chief Executive Officer of Union Carbide Canada Ltd., a company involved in diversified manufacturing. Mr. Kissick serves on the Boards of Avenir Inc. and the Toronto-Dominion Bank.



J. M. (Jack) MacLeod has been a director of NOVA since February 26, 1993. He resides in the City of Calgary. Prior to February 1993 he was President and Chief Executive Officer of Shell Canada Limited, an integrated oil and gas company. He is a director of Triman Limited, Wascana Energy Inc., Sun Life Assurance Company of Canada, the C.D. Howe Institute, Foothills Hospital Foundation Board and The Van Horne Institute, advisor to Alberta Northeast Gas Limited, director and chairman of Learning for a Sustainable Future, chair and director of the advisory board of the Environmental Choice Program and a member and member of the executive of the National Roundtable on the Environment and the Economy.



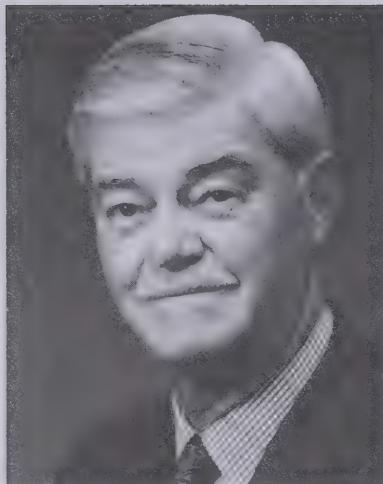
Harold P. Milavsky, F.C.A. has been a director of NOVA since April 26, 1988. He resides in the City of Calgary and is Chairman of the Executive Committee of Trizec Corporation Ltd., a company engaged in development and management of commercial income properties. Prior to April 1993 he was Chairman of that company. He is Chairman of the Board of Carena Developments Ltd. and also serves on the Canadian Boards of Amoco Canada Petroleum Company Ltd., Brascan Limited, Coscan Development Corporation, Hees International, London Insurance Group and the London Life Insurance Company, Luscar Oil & Gas Ltd., Wascana Energy Inc. and Telus Corporation.



J. E. (Ted) Newall has been a director of NOVA since August 13, 1991. He is President and Chief Executive Officer of NOVA and he resides in the City of Calgary. Prior to September 1991 he was Chairman and Chief Executive Officer of DuPont Canada Inc. and Senior Vice President, Agricultural Products, of E.I. du Pont de Nemours & Co. Prior to November 1990 he was Chairman and Chief Executive Officer of DuPont Canada Inc. and Group Vice President, International, of E.I. du Pont de Nemours & Co. and prior to November 1989 he was Chairman, President and Chief Executive Officer of DuPont Canada Inc. He is also a director of BCE Inc., The Molson Companies Limited, Alcan Aluminium Limitée, the Royal Bank of Canada and certain subsidiaries and affiliates of NOVA.



Dr. Nicholas Pappas has been a director of NOVA since February 28, 1992 and resides in Centerville, Delaware. Dr. Pappas is President and Chief Operating Officer of Rollins Environmental Services, Inc., a company involved in hazardous waste treatment and management. Prior to June 1991 he was retired and prior to January 1991 he was Executive Vice President of E.I. du Pont de Nemours & Co. Dr. Pappas also is a member of the Boards of Medical Center of Delaware, Chemifab Corp. and Yenkin-Majestic Corp., a member of the Board of Trustees of the Delaware Art Museum, and a member of American Men of Science, Sigma Xi and Alpha Chi Sigma.



Robert L. Pierce, Q.C. was appointed a Senior Vice President of NOVA on December 13, 1991 and has been a director of NOVA since May 13, 1977. He resides in the City of Calgary. He also serves on the Boards of The Bank of Nova Scotia, Interstate Natural Gas Association of America, Canadian Chamber of Commerce, Investment Corporation of Saskatchewan and certain subsidiaries and affiliates of the Corporation.



Janice G. Rennie has been a director of NOVA since April 23, 1991 and resides in the City of Edmonton. She is Senior Vice President of Princeton Developments Ltd., a commercial real estate developer. Prior to December 1993, she was President, Prairie and Northwest Territories Region, prior to January 1992 she was Vice President and prior to June 1990 she was Vice President and Treasurer of that company. She is also President of Bellanca Developments Ltd. She is also a director of Edmonton Power and in January 1993 was appointed to the Audit Committee of the Province of Alberta.



Cedric E. Ritchie, O.C. has been a director of NOVA since February 28, 1992. He is Chairman of the Board and Chairman of the Executive Committee of the Board of The Bank of Nova Scotia, a Canadian chartered bank, and various of its subsidiaries and affiliates and prior to February 1993 he was also Chief Executive Officer of that bank. He resides in Don Mills, Ontario. Mr. Ritchie serves on the Boards of Banco Sud Americano, BNS International (Hong Kong) Limited, Boracay Limited, The Canada Life Assurance Company, Grupo Financiero Inverlat, S.A., Ingersoll-Rand Company, International Monetary Conference, The Japan Society, Maduro & Curiel's Bank N.V., Mercedes-Benz Canada Inc., Minorco, Moore Corporation Limited, Multibanco Comermex, The Nova Scotia Corporation, Pacific Basin Economic Council, Canadian Committee, Scotiastrust (Asia) Limited, Solidbank Corporation and The Scotia Offshore North American Sovereign Fund. He is also Chairman of the Canada-Philippines Council and the Canadian Business Committee on Jamaica and President, member and Trustee of the Spencer Hall Foundation.



Daryl K. (Doc) Seaman, O.C. has been a director of NOVA since April 9, 1973 and was Chairman of the Board of NOVA from September 1991 to April 1992. He resides in the City of Calgary and is Chairman of Dox Investments Inc., a company engaged in natural resource exploration and development. Prior to May 1991 he was Chairman and Chief Executive Officer of Bow Valley Industries Ltd. He also serves on the Boards of Lakeside Farm Industries, Trimac Limited, Gobi Oil & Gas Ltd., Renaissance Energy Ltd., Encal Energy Ltd., the Calgary Flames Hockey Club Ltd., the OH Ranch Ltd., Potash Corporation of Saskatchewan Inc. and certain subsidiaries and affiliates of NOVA.

BENEFICIAL OWNERSHIP OF SECURITIES

The table below sets forth as at March 4, 1994 information as to shares of NOVA beneficially owned, directly or indirectly, or controlled or directed, including options to acquire such shares exercisable within 60 days of March 4, 1994, by each director of NOVA and by all directors and officers of NOVA, as a group, as provided to NOVA by such persons. Each of the persons listed below will participate in the Arrangement in respect of their NOVA Common Shares. Assuming share ownership remains the same, on the Effective Date the New NOVA Common Share ownership of these persons will be the same as the NOVA Common Share ownership shown below:

Name of Beneficial Owner	Amount and Nature of Beneficial Ownership (1)(2)	Title of Class
John Black Aird, C.C., Q.C.	500 (3)	Common Shares
Dr. Frank Peter Boer	2,500	Common Shares
Ronald Borden Coleman	5,000 (4)	Common Shares
William Harold Comrie	10,000 (4)(5)	Common Shares
Sir Judson Graham Day	3,873 (5)	Common Shares
Richard Francis Haskayne, F.C.A.	80,000 (6)	Common Shares
John Joseph Healy	4,360 (4)	Common Shares
Harley Norman Hotchkiss	15,000 (4)	Common Shares
William Norman Kissick	2,000	Common Shares
John Morrison MacLeod	1,000	Common Shares
Harold Phillip Milavsky, F.C.A.	12,240 (4)(5)(7) 4,000 (7)	Common Shares Preferred Shares
James Malcolm Edward Newall	1,370,553 (6)(8)	Common Shares
Dr. Nicholas Pappas	2,500	Common Shares
Robert Lorne Pierce, Q.C.	276,281 (5)(6)(9)	Common Shares
Janice Gaye Rennie	3,500 (4)	Common Shares
Cedric Elmer Ritchie, O.C.	2,200 (5)(10)	Common Shares
Daryl Kenneth Seaman, O.C.	148,661	Common Shares
All Directors and officers as a group (30 persons, including those listed herein)	3,848,981 (6)(9) 4,000	Common Shares Preferred Shares

Notes:

- (1) Other than as described in notes (3) and (10) below, these shares are subject to the sole voting and investment power of their beneficial owners.
- (2) Each director's holdings represents less than one percent of the outstanding NOVA Common Shares and all directors and officers, as a group, hold approximately 0.83% of the outstanding NOVA Common Shares.
- (3) These 500 NOVA Common Shares are held in trust for the spouse of the Hon. J. B. Aird. The Hon. J. B. Aird exercises sole voting power over these shares but disclaims beneficial ownership thereof.
- (4) The trust funds associated with NOVA's pension plans are administered by the Audit and Finance Committee, composed of Ms. Rennie and Messrs. Coleman, Comrie, Healy, Hotchkiss and Milavsky. The foregoing information regarding the beneficial ownership of NOVA Common Shares by each director does not include an aggregate of 417,005 NOVA Common Shares held by the trustee for such pension plans and over which the Audit and Finance Committee has assumed no investment or voting control. The foregoing information does not include 45,305 NOVA Common Shares held by the pension plan of Foothills Pipe Lines Ltd.

- (5) Excludes for Messrs. Comrie, Milavsky, Pierce and Ritchie and for Sir Graham Day, each of whom may be deemed to have, but disclaims, beneficial ownership of: 100; 150; 2,000; 895,120 and 863 NOVA Common Shares, respectively. The 100 NOVA Common Shares for Mr. Comrie are held by his daughter, who does not reside in the same residence as Mr. Comrie. The 150 NOVA Common Shares for Mr. Milavsky are held by his two daughters, who do not reside in the same residence as Mr. Milavsky. The 2,000 NOVA Common Shares for Mr. Pierce are held between his brother and sister-in-law, neither of whom resides in the same residence as Mr. Pierce. The 895,120 NOVA Common Shares for Mr. Ritchie are held as to 120 by his spouse, as to 495,000 by The Bank of Nova Scotia of which he is chairman of the board and of the executive committee and as to 400,000 by that bank's pension fund of which he is one of 13 co-trustees. The 863 NOVA Common Shares for Sir Graham Day are held by his spouse. The foregoing respective associates and family of Messrs. Comrie, Milavsky, Pierce and Ritchie and of Sir Graham Day exercise sole voting and investment power over such NOVA Common Shares.
- (6) Includes for Messrs. Haskayne, Newall, Pierce and 13 other officers 60,000; 1,260,750; 122,000; and 1,598,250 NOVA Common Shares, respectively, which may be acquired pursuant to options exercisable within 60 days of March 4, 1994, which options were issued to such persons pursuant to the NOVA Option Plan.
- (7) Mr. Milavsky is one of 3 trustees of a trust that beneficially owns 12,240 NOVA Common Shares and 4,000 NOVA Preferred Shares.
- (8) 100,000 of Mr. Newall's NOVA Common Shares are owned by Waskesiu East Holdings Inc. Mr. Newall has majority control of Waskesiu East Holdings Inc.
- (9) Excludes for Mr. Pierce and two other executive officers an additional 25,000; 44,500 and 7,500 NOVA Common Shares respectively which may be acquired pursuant to options which expire on April 9, 1994, which options were issued to such persons pursuant to the NOVA Option Plan.
- (10) 1,200 of the 2,200 NOVA Common Shares shown for Mr. Ritchie are held by an estate of which he is executor; as executor he has sole voting and dispositive power over these NOVA Common Shares.

COMMITTEES OF THE BOARD OF DIRECTORS

The Board of Directors of NOVA has a Human Resources Committee, an Audit and Finance Committee, a Public Policy, Risk and Environment Committee and a Corporate Governance Committee.

The Human Resources Committee of the Board of Directors of NOVA reviews recommendations for the appointment of persons to senior executive positions, considers terms of employment including succession planning and matters of compensation, recommends awards under the NOVA Option Plan and is responsible for the proper and orderly administration of NOVA's savings and profit sharing plans and pension plans, other than matters relating to the funding and investment of the plans' trust funds. The Human Resources Committee is composed of Messrs. Haskayne (Chairman), Kissick, MacLeod, Ritchie and Seaman, Drs. Boer and Pappas and Sir Graham Day.

The Audit and Finance Committee of the Board of Directors of NOVA meets with the auditors, internal auditors and senior executives of NOVA to review and inquire into matters affecting the financial reporting of NOVA, approves the issuance of debt securities, recommends to the Board of Directors of NOVA the auditors to be appointed, is responsible for the proper and orderly funding and administration of the trust funds associated with NOVA's savings and profit sharing plans and pension plans and reviews with management and reports to the board, on an annual basis, on the financial plans and objectives of NOVA. The Audit and Finance Committee is composed of Ms. Rennie and Messrs. Coleman, Comrie, Healy, Hotchkiss (Chairman) and Milavsky.

The Public Policy, Risk and Environment Committee of the Board of Directors of NOVA is responsible for overseeing environment, occupational health and safety policy, corporate contributions, government relations and NOVA's role with special interest groups. The Public Policy, Risk and Environment Committee is composed of Ms. Rennie, Messrs. Aird, Coleman, Comrie, Healy, Kissick, MacLeod, Milavsky (Chairman), Newall, Pierce and Ritchie, and Drs. Boer and Pappas.

The Corporate Governance Committee of the Board of Directors of NOVA is responsible for the composition, compensation and governance of the Board of Directors of NOVA and recommends to the board nominees for election or appointment to the board, as the case may be. In addition, this Committee is responsible for maintaining an effective working relationship between the Board of Directors and management of NOVA. The Corporate Governance Committee is composed of Messrs. Aird, Haskayne (Chairman), Ritchie and Seaman and Sir Graham Day.

EXECUTIVE OFFICERS

The table below shows the name, positions held with NOVA and with New NOVA, and principal occupations within the last five years of each person who is an executive officer of NOVA and New NOVA. Officers are appointed by the Board of Directors of NOVA from time to time and serve at the discretion of the Board of Directors.

Name	Position with NOVA/ New NOVA	Principal Occupations and Positions During Last Five Years
James Malcolm Edward Newall	President and Chief Executive Officer	President and Chief Executive Officer of NOVA since September 1991; prior to September 1991, Chairman and Chief Executive Officer of DuPont Canada Inc. and Senior Vice President, Agricultural Products, of E.I. du Pont de Nemours & Co.; prior to November 1990, Chairman and Chief Executive Officer of DuPont Canada Inc. and Group Vice President, International, of E.I. du Pont de Nemours & Co.; prior to November 1989, Chairman, President and Chief Executive Officer of DuPont Canada Inc.
Jeffrey Marc Lipton	Senior Vice President and Chief Financial Officer	Senior Vice President and Chief Financial Officer of NOVA since February 1994; prior to February 1994, Senior Vice President of Novacor Chemicals Inc.; prior to December 1993, Vice President, Corporate Plans of E.I. du Pont de Nemours & Co.; prior to January 1993, Vice President, Corporate Marketing and Continuous Improvement of E.I. du Pont de Nemours & Co.; prior to October 1990 Vice President, Polymer Products of E.I. du Pont de Nemours & Co.
Robert Lorne Pierce, Q.C.	Senior Vice President	Senior Vice President of NOVA since December 1991; prior to his December 1991 appointment he was, and continues to be, a Director of NOVA and an executive of certain subsidiaries and affiliates of NOVA
John Edwin Feick	Senior Vice President	Senior Vice President of NOVA
Bruce Wayne Simpson	Senior Vice President	Senior Vice President of NOVA
Pierre Choquette	Senior Vice President, International	Senior Vice President, International, of NOVA; prior to September 1993, Senior Vice President of NOVA
Clarence Kent Jespersen	Senior Vice President, Natural Gas Services	Senior Vice President, Natural Gas Services of NOVA since September 1993; prior to September 1993, Senior Vice President, Corporate Development of NOVA; prior to June 1992, President of Foothills Pipe Lines Ltd.
Richard Charles Milner	Senior Vice President and Treasurer	Senior Vice President and Treasurer of NOVA since September 1993; prior to September 1993, Vice President and Treasurer of NOVA

Name	Position with NOVA/ New NOVA	Principal Occupations and Positions During Last Five Years
Jack Stephen Mustoe	Senior Vice President, General Counsel and Corporate Secretary	Senior Vice President, General Counsel and Corporate Secretary of NOVA since September 1993; prior to September 1993, Vice President, General Counsel and Corporate Secretary of NOVA
Donald Gene Olafson	Senior Vice President, Pipeline Development	Senior Vice President, Pipeline Development of NOVA
Brian Franklin Olson	Senior Vice President, Human Resources	Senior Vice President, Human Resources of NOVA since September 1993; prior to September 1993, Vice President, Human Resources of NOVA
Albert Terence Poole	Senior Vice President, Corporate Development and Controller	Senior Vice President, Corporate Development and Controller of NOVA since September 1993; prior to September 1993, Vice President and Controller of NOVA

REPORT ON EXECUTIVE COMPENSATION

Composition of the Human Resources Committee

The Human Resources Committee of the Board of Directors is the committee of the Board that is responsible for the overall executive compensation strategy of NOVA and the on-going monitoring of the strategy's implementation. It is composed of Messrs. Haskayne (Chairman), Kissick, MacLeod, Ritchie and Seaman, Drs. Boer and Pappas and Sir Graham Day. Mr. Estey served on the Committee until his retirement from the Board in April 1993 and Mr. Hotchkiss served on the Committee until April 1993 at which time he resigned from the Human Resources Committee to serve as Chairman of the Audit and Finance Committee. None of the members of the Committee is or was formerly an officer or employee of NOVA or any of its subsidiaries except Mr. Haskayne who was under contract to NOVA as Special Advisor to the Board from April 1991 to April 1992 and is now paid a consulting fee by NOVA in respect of his duties as Chairman of the Board. See "Compensation of Directors".

Report of the Human Resources Committee

The Human Resources Committee's mandate includes all executive compensation matters and making recommendations, where necessary, on compensation matters to the Board.

NOVA's executive compensation policies are designed to provide competitive compensation for achieving NOVA's annual and long term goals.

The major elements of the executive compensation program are base salary, annual performance incentives, long term incentives through the granting of stock options, and non-cash compensation. The Human Resources Committee annually monitors comparative remuneration data to ensure that target levels of overall compensation are at the average of similar Canadian industrial organizations. In any particular year NOVA's executive officers may be paid more or less than executive officers at comparator organizations depending on corporate and business unit performance and individual contribution.

Base Salaries

Base salaries for all executive officers are paid within salary ranges established for each position on the basis of the level of responsibility of the position relative to others in NOVA. The salary range for each position is determined through annual comparative salary surveys of 13 to 18 large Canadian industrial organizations and set at approximately the average of the survey group. Individual salaries within a range are determined by that officer's contribution to NOVA.

The 1993 review of industry trends and comparative salary levels indicated a need for minor adjustment to salary ranges and modest increases were made effective April 1, 1993 to maintain continued market competitiveness. The 1994 review of salary levels indicated that no adjustment to salary ranges was required.

Mr. Newall's base salary was established by contract when he was hired in 1991 (see "Employment Contracts"). In 1992 NOVA engaged the services of a consultant to review the competitiveness of President and Chief Executive Officer ("CEO") compensation as compared to 17 other like organizations. The consultant concluded that CEO compensation was competitive. Mr. Newall received a modest increase in salary in April 1993 on the same basis as the other executive officers. In lieu of cash salary compensation for 1994 and 1995, Mr. Newall will receive 17,000 NOVA Common Shares per quarter (see "Employment Contracts").

Non-Cash Compensation

Non-cash compensation includes employee benefits, perquisites and vacations. NOVA's non-cash compensation programs are designed to produce an overall position which approximates the average of large Canadian industrial organizations. NOVA's positioning in non-cash compensation is monitored annually. Mr. Newall does not receive any non-cash compensation that is different from that received by other executive officers, other than as described under "Supplementary Pension Agreements" and "Employment Contracts". As Mr. Newall will not receive cash salary compensation in 1994 and 1995, a notional salary, equivalent to what he would have received in cash, will be utilized to calculate benefits for which he is eligible.

Management Incentive Plan

The Management Incentive Plan is designed to recognize the contributions to corporate and business results of executive officers and senior managers and constitutes a significant part of compensation. This plan provides for annual cash awards based on corporate and business unit performance and individual contribution to NOVA's results which are measured against predetermined objectives. As the employee's responsibility level increases, the Management Incentive Plan represents an increasing portion of total compensation. The guiding principle in the establishment of the performance targets and weightings of the various components of the plan is to achieve a total compensation position, including base salary and management incentive target award, at the average of like organizations if performance objectives, as approved by the Board of Directors, are achieved.

Management Incentive Plan awards are based on three components:

- (a) corporate performance — based on the achievement of consolidated net operating income goals;
- (b) business unit performance — based on the achievement of business related objectives, generally equally divided between financial objectives and other objectives such as improvement in environment, health and safety performance, customer service, operating performance, or other specific objectives; and
- (c) individual contribution — based upon the achievement of specific objectives.

A target incentive award, based on each participant's level of responsibility, is set and communicated to each participant annually. Target awards are weighted 30% individual contribution and 70% corporate and business results. The 70% weighting factor for corporate and business results is split depending on the focus of the participant's position.

The actual incentive award paid each year, if any, is determined with reference to achievements in the three components set out above. If minimum performance levels are not reached, no incentive is payable. If target performance levels are reached, the target incentive award is payable. Provision is made in the plan to pay incentives in excess of the target award, to a maximum established by the Board, if performance in a year is exceptional. The factor by which the incentive award is calculated is pro-rated between the minimum target and maximum award depending on actual performance under each of the three components. Management incentive awards are not taken into account for the purpose of calculating pension benefits.

Because corporate, business and individual objectives were exceeded in 1992, awards above the target level were made in 1993 for 1992 performance. In 1993, the non-financial objectives were generally met or exceeded and corporate results and certain business goals were not fully achieved which resulted in lower awards being made to participants in the Management Incentive Plan.

For the period September 1, 1991 to August 31, 1993, Mr. Newall's incentive award was established at a minimum of one-third of his base salary under the terms of his employment agreement. He was paid the minimum award pro-rated for service in 1992. In 1993 he was paid on the basis of 1992 corporate and individual contribution which exceeded the minimum payment. Subsequent to August 31, 1993, his management incentive payments are based strictly on the terms of the Management Incentive Plan, making him eligible for an incentive of 50% of base salary if his target is achieved, up to 125% if it is significantly exceeded. On that basis his 1993 management incentive payment was calculated at 55.8% of his 1993 base salary, based on 75.6% achievement of corporate objectives weighted at 70% and 194% achievement of individual performance objectives weighted at 30%. Mr. Newall has requested that the payment of his management incentive award for 1993 be made in the form of NOVA Common Shares rather than in cash. The Board agreed with this proposal as it aligns the CEO's interests with NOVA Shareholders. Mr. Newall received 36,800 NOVA Common Shares in lieu of his 1993 incentive payment. The number of NOVA Common Shares issued, as his 1993 incentive payment, was calculated by taking the amount of cash which he was eligible to receive under the Management Incentive Plan divided by the closing price of NOVA Common Shares on The Toronto Stock Exchange on March 3, 1994.

Option Plan

The purpose of the NOVA Option Plan is to provide incentive to key employees, including the CEO and each of NOVA's four other most highly compensated executive officers (the "NEO's"), to: (a) align management interests with those of the common shareholder; (b) contribute to growth of shareholder value; (c) produce constant improvement in operating results; (d) remain as employees; and (e) become the owners of NOVA Common Shares.

The objective of the NOVA Option Plan is to provide compensation at the 75th percentile of comparable industrial organizations which is the result of generating growth in common share value. A consultant review in 1992 confirmed that the awards under the plan are at the desired level. Options are granted by the Board on the recommendation of the Human Resources Committee for the purchase of a set number of NOVA Common Shares at an exercise price equal to the closing price of the NOVA Common Shares on The Toronto Stock Exchange on the date of grant. Each option may be exercised over a 10 year period and generally vest as to one-quarter at the date of grant and an additional one-quarter per year for the next three years. Alternate vesting, up to full vesting at the date of grant, may be granted at the Board's discretion.

The number of options granted to each eligible employee, including executive officers, is determined by a formula based on base salary and levels of responsibility and is adjusted with reference to the relative performance of such employee. The criteria used for making such adjustments in respect of grants to executive officers are: (a) the relative level of achievement of the executive officer; (b) the level of responsibility given to a newly appointed executive officer; (c) whether or not the executive officer has been given additional responsibilities; (d) the number of shares under options then held by the executive officer; and (e) competitiveness of the grants with similar organizations.

With regard to the above criteria, the Board, in 1993, granted to Mr. Newall an option to purchase 216,000 NOVA Common Shares.

BY THE HUMAN RESOURCES COMMITTEE

<i>R. F. Haskayne (Chairman)</i>	<i>J. M. MacLeod</i>
<i>F. P. Boer</i>	<i>N. Pappas</i>
<i>Sir Graham Day</i>	<i>C. E. Ritchie</i>
<i>W. N. Kissick</i>	<i>D. K. Seaman</i>

Compensation of Officers

The following table sets forth the compensation paid by NOVA to the CEO and the NEO's, in each case, in respect of the fiscal years ended December 31, 1993, 1992 and 1991.

Summary Compensation Table								
(Columns reflect Canadian dollars except Options column which reflects number of shares under option)								
Name and Principal Position	Year	Annual Compensation			Long Term Compensation			
		Salary (1)	Management Incentive Program (2) (3)	Other Annual Compensation (4) (5)	Awards Securities Under Option/ SAR's Granted (6)	Restricted Shares or Restricted Share Units (7)	Payouts LTIP Payouts (7)	All Other Compensation (5) (8)
J. E. Newall Chief Executive Officer	1993	609,000 (9)	340,000 (10)	90,507 (11)	1,366,000	N/A	N/A	1,343
	1992	600,000	468,000 (12)		1,150,000	N/A	N/A	
	1991 (13)	206,818	83,333		1,000,000 (14)	N/A	N/A	
R. L. Pierce Senior Vice President	1993	380,016	130,000		388,000	N/A	N/A	1,993
	1992	380,016	155,000		1,006,000	N/A	N/A	
	1991	380,016	0		956,000	N/A	N/A	
J. E. Feick Senior Vice President	1993	306,750	130,000		345,000	N/A	N/A	665
	1992	300,000	152,000		310,000	N/A	N/A	
	1991	263,498	0		260,000	N/A	N/A	
B. W. Simpson Senior Vice President	1993	256,000	100,000		340,000	N/A	N/A	1,903
	1992	250,008	133,000		307,500	N/A	N/A	
	1991	243,258	0		267,500	N/A	N/A	
P. Choquette Senior Vice President, International	1993	253,752	80,000		232,500	N/A	N/A	2,245
	1992	250,008	94,000		195,000	N/A	N/A	
	1991	245,007	0		155,000	N/A	N/A	

Notes:

- (1) See "Report of the Human Resources Committee — Base Salaries".
- (2) See "Report of the Human Resources Committee — Management Incentive Plan". The annual incentive amounts are earned in the year reported and paid in the first quarter of the following year.
- (3) Mr. Newall's annual incentive for the period of September 1, 1991 to August 30, 1993 was guaranteed at one-third of his base salary under the terms of his initial contract of employment. See "Report on Executive Compensation — Employment Contracts".
- (4) The CEO and each NEO is in receipt of benefits and perquisites in addition to base salary and management incentive payments. The amounts in this column include amounts paid under the NOVA Profit Sharing Plan which is not described in the Report of the Human Resources Committee as it is available on the same terms, scope and operation to all employees of NOVA other than those covered by collective bargaining agreements. The value of these benefits, perquisites and amounts paid under the NOVA Profit Sharing Plan does not exceed the lesser of \$50,000 or 10% of the total annual salary and management incentive payment except for Mr. Newall.
- (5) In accordance with the transitional provisions of the OSC's recently revised rules on executive compensation disclosure in proxy statements, amounts of "Other Annual Compensation" and "All Other Compensation" have not been included for fiscal years 1991 and 1992.
- (6) This column shows the total number of NOVA Common Shares held under option by the CEO and each NEO at the end of each respective year. See "Report of the Human Resources Committee — Stock Option Plan". NOVA has not granted any stock appreciation rights ("SAR's").
- (7) NOVA does not grant Restricted Shares or Restricted Share Units and it does not have a long term incentive plan ("LTIP").
- (8) Includes the dollar value of insurance premiums paid by NOVA with respect to term life insurance for the benefit of the CEO and each NEO.
- (9) In 1994 and 1995 Mr. Newall will receive 17,000 NOVA Common Shares per quarter in lieu of cash salary.
- (10) Mr. Newall's 1993 management incentive payment was made in the form of 36,800 NOVA Common Shares. See "Report of the Human Resources Committee — Management Incentive Plan".
- (11) Includes \$34,392 paid to the CEO under the NOVA Employees Savings and Profit Sharing Plan, and \$36,751 received as a taxable benefit for use of the corporate plane.
- (12) Mr. Newall's 1992 management incentive award was comprised of an option to acquire 50,000 NOVA Common Shares at the market price prevailing at the time the option was granted and a cash payment of \$318,000.
- (13) Mr. Newall was employed by NOVA for four months (September through December) of 1991.
- (14) Mr. Newall's options granted in 1991 were granted pursuant to the terms of his initial contract of employment. See "Employment Contracts".

Stock Options

The table below shows the number of NOVA Common Shares available for purchase under share purchase options granted to the CEO and each of the NEO's during the period from January 1, 1993 to December 31, 1993 together with the percentage that the grant represents of total options granted by NOVA to its employees and employees of its subsidiaries in fiscal 1993, the per security exercise price, the per security market value of the underlying securities on the date the options were granted and the expiration date of the options granted. NOVA has not granted any SAR's.

Option and/or SAR Grants During the Most Recently Completed Financial Year					
Name	Securities Under Option/ SAR's Granted (#)	% of Total Options/SAR's Granted to Employees in 1993	Exercise or Base Price (\$)(1)	Market Value of Securities Underlying Options/SAR's on the Date of Grant (\$)(1)	Expiration Date
J. E. Newall	216,000 (2)	10%	8.625	8.625	Feb. 25, 2003
R. L. Pierce	57,000	3%	8.625	8.625	Feb. 25, 2003
J. E. Feick	53,000	3%	8.625	8.625	Feb. 25, 2003
B. W. Simpson	45,000	2%	8.625	8.625	Feb. 25, 2003
P. Choquette	37,500	2%	8.625	8.625	Feb. 25, 2003

Notes:

- (1) Options are granted for NOVA Common Shares at the closing market price on The Toronto Stock Exchange on the date the grant is made by the Board. Options are granted for a term of ten years, exercisable on a cumulative basis as to 25% in the first 12 months, 25% in the second 12 months, 25% in the third 12 months and 25% thereafter for the term of the option.
- (2) Includes an option for 50,000 NOVA Common Shares granted to Mr. Newall in 1993 as part of his 1992 management incentive award.

The table below shows the number of common shares acquired on exercise of options during fiscal 1993 by the CEO and the NEO's, together with the aggregate dollar value realized on such exercises, the total number of common shares still available for acquisition under option, both vested and unvested, and the dollar value of "in-the-money" unexercised options, both vested and unvested.

Aggregated Option Exercises During the Most Recently Completed Financial Year and Financial Year-End Option/SAR Values						
Name	Securities Acquired on Exercise	Aggregate Value Realized (1)	Unexercised Options/ SAR's at December 31, 1993		Value of Unexercised In-the-Money (2) (3) Options/SAR's at December 31, 1993	
			Non-Vested	Vested	Non-Vested	Vested
J. E. Newall	0	0	237,000	1,129,000	187,125	1,481,125
R. L. Pierce	675,000	1,402,250	80,250	307,750	64,875	260,000
J. E. Feick	18,000	39,240	96,000	249,000	116,531	322,359
B. W. Simpson	12,500	28,538	90,000	250,000	115,156	324,969
P. Choquette	0	0	54,375	178,125	44,063	63,438

Notes:

- (1) Calculated as the difference between the market value on exercise and the exercise price of the related option.
- (2) Calculated as the difference between the closing price of NOVA Common Shares on December 31, 1993 (\$9.375) and the exercise price of the related option.
- (3) "In-the-money" means that the market value of the common shares underlying the options on that date exceeds the option exercise price.

Pension Plans

Officers, along with all salaried employees, participate in NOVA's non-contributory pension plans which provide a retirement income and a 60% surviving spouse's pension based on the officer's years of service and the average base salary of the highest three continuous years of the officer's final 10 years of service adjusted to reflect benefits payable under government sponsored plans. The amount of pension may vary based on other factors including the age of the employee at retirement and the form of pension elected. The following table illustrates the amount of annual pension received by an employee retiring at age 65 on December 31, 1993 who has not elected an optional form of pension benefit.

Remuneration	Pension Plan Table (1) (2) (3) (4)						
	Years of Service						
	5	10	15	20	25	30	35
125,000	9,539	21,078	32,617	44,156	55,695	67,618	80,118
150,000	11,639	25,678	39,717	53,756	67,795	82,218	97,218
175,000	13,739	30,278	46,817	63,356	79,895	96,818	114,318
200,000	15,839	34,878	53,917	72,956	91,995	111,418	131,418
225,000	17,939	39,478	61,017	82,556	104,095	126,018	148,518
250,000	20,039	44,078	68,117	92,156	116,195	140,618	165,618
300,000	24,239	53,278	82,317	111,356	140,395	169,818	199,818
400,000	32,639	71,678	110,717	149,756	188,795	228,218	268,218
500,000	41,039	90,078	139,117	188,156	237,195	286,618	336,618
600,000	49,439	108,478	167,517	226,556	285,595	345,018	405,018
700,000	57,839	126,878	195,917	264,956	333,995	403,418	473,418
750,000	62,039	136,078	210,117	284,156	358,195	432,618	507,618

Notes:

- (1) NOVA's pension plan is a defined benefit plan. The benefit formula is integrated with the Canada Pension Plan ("CPP"). The non-contributory future service benefit is equal to the sum of (a) plus (b) where:
 - (a) is 1.0% times credited service times the lesser of
 - (i) Highest Average Earnings (defined below) and
 - (ii) Average Maximum Pensionable Earnings (defined below)
 - (b) is 1.6% times credited service times the amount, if any, by which the Highest Average Earnings exceeds the Average Maximum Pensionable Earnings.

Highest Average Earnings is the average of the highest 36 consecutive months of base salary in the last ten years and Average Maximum Pensionable Earnings is the three year average of the Year's Maximum Pensionable Earnings as determined in accordance with the Canada Pension Plan Act. Management incentive payments are not included in base salary for the purpose of determining pension benefits.

Pension benefits for (a) married retirees, upon death, consist of 60% of the member's benefit payable to the surviving spouse for life, and (b) single retirees are payable for life and are guaranteed for 5 years after pension commences.

Pension benefits are not subject to any deduction for social security or other offset amounts with the exception of Mr. Choquette who has a CPP offset on benefits earned before joining the NOVA pension plan.

- (2) Estimated credited years of service to December 31, 1993 for the CEO and each NEO are:

J. E. Newall	— 2.33 years
R. L. Pierce	— 15.5 years
J. E. Feick	— 16.92 years
B. W. Simpson	— 22.5 years
P. Choquette	— 18.25 years

- (3) Table is calculated based on service in existing and continuing prior plans and includes supplementary pension amounts described below, but does not include optional contributory pension plan.
- (4) Table shows benefit payable at age 65 if the employee left NOVA on December 31, 1993 at age 65.

Supplementary Pension Agreements

NOVA's pension plan benefits are subject to maximum annual benefit accruals of \$1,722.22 per year of credited service or to any greater maximum which may be provided for in the *Income Tax Act* (Canada) from time to time. NOVA has entered into pension agreements with certain officers and employees which provide for supplementary pension payments, computed with reference to the earned pension under NOVA's pension plan. These supplementary payments would be above the maximum annual benefit accrual permitted by NOVA's pension plan and, therefore, would not be deductible for income tax purposes by NOVA until paid to the respective officer or employee. The aggregate pension payments resulting from such agreements and the pension payments payable under NOVA's pension plan would be generally equivalent to the benefit which is earned under NOVA's pension plan without the maximum annual benefit described above. Although these supplemental pension agreements still exist with

individual employees including the CEO and NEO's, in 1992 NOVA approved a policy to provide the same supplementary pension payments to all employees who become subject to the maximum annual benefit accrual.

In addition to the agreements and policy described above, NOVA has entered into a supplemental pension agreement with R. L. Pierce under which Mr. Pierce will receive total pension benefits equal to a certain percentage of his average annual salary earned over a certain period as an officer of NOVA, including benefits payable under NOVA's pension plan but excluding benefits payable under the Canada Pension Plan. Pension payments to Mr. Pierce on his retirement from NOVA, calculated from the retirement plan and from the supplemental plan as at May 1994, are expected to amount to \$157,000 per year.

In addition to the foregoing, Mr. Newall's employment contract (see "Employment Contracts") provides that he is guaranteed an annual pension of not less than \$20,000 per annum per year of employment, resulting in NOVA agreeing to make up any short-fall between what the pension plans would provide and the \$20,000 per annum amount. Mr. Newall is also entitled, after retirement and prior to age 65, to elect to receive as a lump sum the commuted value of the additional pension benefits provided for as noted above. At December 31, 1993 Mr. Newall's contractual annual pension benefit will be \$46,600.

Employment Contracts

NOVA has entered into employment agreements with Mr. Newall and Mr. Feick.

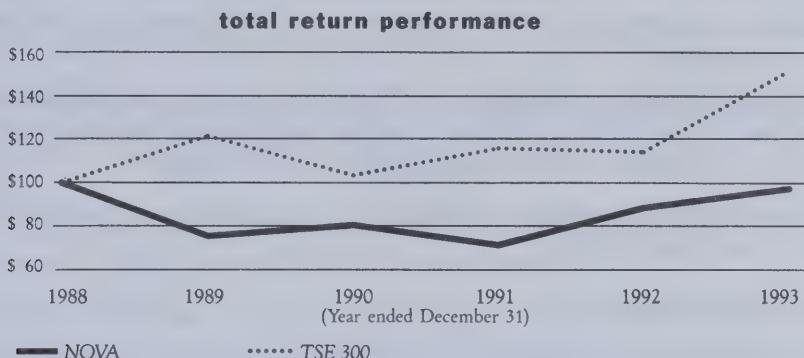
Mr. Newall's employment contract provides for an indefinite term of service as President and CEO of NOVA at a minimum annual salary of \$600,000, reviewable annually with a view to determining appropriate increases (which are determined under NOVA's compensation policy — see "Report of the Human Resources Committee"). For the first two years of his employment (September 1, 1991 to August 31, 1993), he was entitled to a minimum additional management incentive payment equal to one-third of his salary. In 1994 and 1995 Mr. Newall will be paid his annual salary in the form of 17,000 NOVA Common Shares per quarter. Mr. Newall's reported income for these years will reflect the number of NOVA Common Shares issued to Mr. Newall multiplied by the market price of these NOVA Common Shares on the date of issuance. His participation under the Management Incentive Plan (see "Report of the Human Resources Committee"), including any payment arising under his employment contract, is 50% of his salary for achieving performance established by the Board of Directors objectives, up to a maximum of 125% for significantly exceeding such objectives. Mr. Newall will receive his management incentive payments for service in 1993 and 1994 in NOVA Common Shares.

Mr. Newall's contract provides for the additional pension payments described above under "Supplementary Pension Agreements", \$20,000 per annum in personal financial and tax planning fees and an initial stock option of 1,000,000 NOVA Common Shares vested as to 100% and exercisable for seven years without reference to whether or not Mr. Newall is still employed by NOVA over that seven year period. In the event of Mr. Newall's termination of employment other than for cause, he is entitled to be paid a termination payment consistent with the prevailing practice of NOVA at the time of his termination, in lieu of any compensation he might otherwise have received from NOVA over a period of time.

Mr. Feick's employment agreement, without fixed term, entitles him to a minimum annual salary of \$300,000 and to benefits, management incentive payments and options in amounts determined in accordance with NOVA's compensation policies. In the event of his termination of employment, other than for cause, Mr. Feick is entitled to be paid an amount equal to 2.5 times the salary and management incentive payments received by him in the most recently completed year along with compensation for loss of benefits, savings plan and pension plan contributions that would have been made over the next 30 months, all payable in lieu of damages. In addition, his options would continue to vest and be exercisable over the next 30 months, subject to regulatory approval. Mr. Feick has an option to terminate his employment, on these same terms, in the event of a change in control of NOVA or the sale of all or substantially all of NOVA's chemicals assets to a third party which does not offer him a comparable position.

Total Return Performance

The following graph demonstrates a five calendar year comparison of cumulative total return (assuming reinvestment of dividends) performance based upon an initial investment of \$100 invested on December 31, 1988 in NOVA Common Shares as compared with The Toronto Stock Exchange's TSE 300 Composite Index.



Compensation of Directors

Each director who is not a full-time employee of NOVA is paid a retainer fee of \$15,000 per year which is paid quarterly, an attendance fee of \$1,500 for each meeting attended, except in the case of the Chairman of the Board to whom a fee of \$3,000 (including the \$1,500 attendance fee) is paid for each meeting attended, and a travel fee of \$1,500 for one travel day prior to each meeting attended where travel is required out of province and \$3,000 where travel is required out of country. Directors who are full-time employees of NOVA do not receive directors' fees. Directors who are members of the Human Resources Committee, Audit and Finance Committee, Corporate Governance Committee and Public Policy, Risk and Environment Committee, who are not full-time employees of NOVA, are paid \$1,500 for each committee meeting attended, except in the case of the chairman of each such Committee to whom a fee of \$3,000 (including the \$1,500 attendance fee) is paid for each meeting attended.

In December 1993 the Board of Directors approved the NOVA Director Share Purchase Plan for the directors of NOVA which is intended to align director compensation with Shareholder interest. Directors may elect to participate in the plan. Participating directors may elect to have some or all of their retainer, attendance and travel fees (subject to a contribution of a minimum of 50% of the after withholding tax retainer fees) paid to a custodian at the end of each calendar quarter on behalf of each participating director. The custodian then purchases NOVA Common Shares in the open market. Directors are entitled to withdraw all or a portion of the NOVA Common Shares held in their account four times per year.

The Chairman of the Board was paid \$200,000 by NOVA in 1993 as a consulting fee, payable to him in respect of his duties as Chairman. In 1993, the Chairman was granted two separate awards of options under the NOVA Option Plan. In February 1993, the Board granted the Chairman 40,000 options at a price of \$8.625 per Common Share for duties as Chairman in 1993 and in December 1993, he was granted 40,000 options at a price of \$9.25 per Common Share for duties as Chairman in 1994.

AMENDMENT TO EMPLOYEE INCENTIVE STOCK OPTION PLAN

The rules of the stock exchanges on which the NOVA Common Shares are listed require or make it advisable to obtain Shareholder approval of an amendment to the NOVA Option Plan under which directors may obtain options for the purchase of NOVA Common Shares. Accordingly, NOVA is seeking Shareholder approval to allow directors who are not full-time employees to be eligible to receive stock options under the NOVA Option Plan. As discussed under "The Reorganization — Effect of the Arrangement on Other Securities of NOVA", the NOVA Option Plan will be assumed by New NOVA and will become the New NOVA Option Plan on the Effective Date. Thus a vote in favour of this amendment will be a vote in favour of the amendment forming part of the New NOVA Option Plan.

The NOVA Option Plan was originally approved by the Shareholders at the annual meeting in April 1988 and, at that time, it contained a provision permitting the Board of Directors to grant stock options to directors,

subject to certain regulatory approvals. This provision was removed in January 1989 to comply with certain U.S. securities laws. These restrictions no longer apply to Canadian corporations such as NOVA. As a result, NOVA is proposing to once again permit directors who are not full-time employees to be eligible to receive stock options. Approval of this amendment to the NOVA Option Plan requires an affirmative vote of a majority of votes of holders of NOVA Common Shares who, if entitled to do so, vote in person or proxy on this matter at the Meeting.

Subject to Shareholder approval, the NOVA Option Plan will be amended to add the following words as subparagraph (c) to paragraph 9:

“the Board may grant options to Directors of the Corporation who are not full-time employees on such terms and conditions of the Option Agreement as may be determined by the Board, provided, however, that all the terms and conditions of the Plan shall apply to such option.”

Shareholders should find this amendment of benefit as it should result in a greater alignment of the directors' interests with those of the Shareholders.

APPOINTMENT OF AUDITORS

It is proposed that Ernst & Young, Chartered Accountants, be appointed to act as auditors of NOVA for the current year. Ernst & Young have served as auditors of NOVA since 1956. Representatives of Ernst & Young are expected to be present at the Meeting and will be given the opportunity to make a statement if they wish to do so. They will also be available to respond to appropriate questions.

SHAREHOLDER PROPOSALS

Shareholder proposals to be considered at the 1995 annual meeting of shareholders of NOVA must be received at the principal executive offices of NOVA no later than February 3, 1995 to be included in the information circular and form of proxy for such annual meeting.

CERTIFICATE

The foregoing contains no untrue statement of a material fact and does not omit to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made.

The contents and the sending of this Information Circular have been approved by the Board of Directors of NOVA.

By Order of the Board of Directors

(Signed) J. E. NEWALL
President and
Chief Executive Officer

(Signed) JEFFREY M. LIPTON
Senior Vice President and
Chief Financial Officer

March 28, 1994

SCHEDULE A
ARRANGEMENT RESOLUTION

Arrangement Under Section 186 of the
Business Corporations Act (Alberta)

BE IT RESOLVED AS A SPECIAL RESOLUTION THAT:

- (1) the Arrangement under Section 186 of the Business Corporations Act (Alberta) set forth in the Plan of Arrangement attached as Appendix 1 to Schedule B to the Management Information Circular dated March 28, 1994 (the "Information Circular") of NOVA Corporation of Alberta ("NOVA") be and it is hereby approved and authorized;
- (2) the Arrangement Agreement between NOVA and NOVA Corporation attached as Schedule B to the Information Circular be and it is hereby confirmed, ratified and approved;
- (3) notwithstanding that this special resolution has been duly passed by the common shareholders of NOVA or received the approval of the Court of Queen's Bench of Alberta, the board of directors of NOVA may, without further notice to, or approval of, the common shareholders, amend or terminate the Plan of Arrangement or revoke this special resolution at any time prior to the issuance of a certificate of amendment giving effect to the Arrangement; and
- (4) the proper officers of NOVA be and they are hereby authorized, for and on behalf of NOVA (whether under its corporate seal or otherwise), to execute and deliver articles of arrangement and all other documents and instruments and take such other actions as they may determine to be necessary or desirable to implement this special resolution and the matters authorized hereby, including the transactions required by the Arrangement, such determination to be conclusively evidenced by the execution and delivery of any such documents or instruments and the taking of any such actions.

SCHEDULE B
ARRANGEMENT AGREEMENT

MEMORANDUM OF AGREEMENT made as of the 4th day of March, 1994.

BETWEEN:

NOVA Corporation of Alberta, a corporation incorporated under the laws of the Province of Alberta
(hereinafter referred to as "NOVA")

-and-

NOVA Corporation, a corporation incorporated under the laws of the Province of Alberta
(hereinafter referred to as "New NOVA")

WHEREAS NOVA intends to propose the Arrangement to its shareholders;

AND WHEREAS New NOVA is a wholly-owned subsidiary of NOVA;

AND WHEREAS the parties hereto wish to record their agreements with regard to the Arrangement;

NOW THEREFORE THIS AGREEMENT WITNESSES that, in consideration of the premises and the respective covenants and agreements herein contained, the parties hereto covenant and agree as follows:

ARTICLE 1
INTERPRETATION

1.1 Definitions

In this Agreement, including the recitals hereto, unless there is something in the subject matter or context inconsistent therewith, the following terms shall have the following meanings:

"**ABCA**" means the Business Corporations Act (Alberta), S.A. 1981, c.B-15, as amended;

"**Advance Tax Rulings**" means the rulings applied for by NOVA from Revenue Canada, Customs, Excise and Taxation and from the United States Internal Revenue Service, as such rulings may be amended from time to time at the request of NOVA, all in form satisfactory to NOVA;

"**Arrangement**" means the arrangement under the provisions of Section 186 of the ABCA, on the terms and conditions set forth in the Plan of Arrangement or any amendment or variation thereto made in accordance with section 5.1 of this Agreement;

"**Arrangement Transactions**" means the transactions contemplated in the Plan of Arrangement;

"**Business Day**" means any day, other than a Saturday or a Sunday, when Canadian chartered banks are open for business in the City of Calgary;

"**Court**" means the Court of Queen's Bench of Alberta;

"**Effective Date**" means the date shown on the certificate of amendment to be issued by the Registrar under the ABCA giving effect to the Arrangement;

"**Final Order**" means the final order of the Court approving the Arrangement;

"**Gas Services**" means NOVA Gas Services Ltd., a corporation governed by the laws of Alberta, together where the context requires, with its subsidiaries;

“Information Circular” means the definitive form of the management information circular of NOVA to be prepared and sent to the holders of NOVA Common Shares in connection with the Meeting, together with any amendments thereto;

“Interim Order” means the order of the Court made pursuant to the petition therefor contemplated by section 3.3 hereof;

“Meeting” means the annual and special meeting of holders of NOVA Common Shares to be held to consider the Arrangement, and any adjournment thereof;

“New NOVA Common Shares” mean the common shares in the capital of New NOVA;

“NOVA Common Shares” mean the common shares in the capital of NOVA;

“Novacor Chemicals” means Novacor Chemicals Ltd., a corporation governed by the laws of Alberta, together, where the context requires, with its subsidiaries;

“Novacorp International” means Novacorp International Inc., a corporation governed by the laws of Alberta, together, where the context requires, with its subsidiaries;

“Plan of Arrangement” means the plan of arrangement which is annexed as Appendix 1 hereto and any amendment or variation thereto made in accordance with section 5.1 hereof;

“Post-Arrangement Transactions” includes the following transactions that will occur after the Arrangement takes effect:

- (i) New NOVA will assume the NOVA dividend reinvestment and share purchase plan;
- (ii) New NOVA will assume the NOVA employee savings and profit sharing plan;
- (iii) New NOVA will assume the NOVA director share purchase plan.

“Pre-Arrangement Transactions” means certain transactions that will occur pursuant to the Pre-Arrangement Transactions Agreements as those agreements may be amended, immediately prior to the Arrangement taking place including:

- (i) the transfer by NOVA to Gas Services of the shares it holds in Pan-Alberta Gas Ltd., Pan-Alberta Resources Inc., Foothills Pipe Lines Ltd., Novacorp International Pipelines Ltd., Novacorp Engineering Services Ltd. and certain accounts receivable owing by Novacor Chemicals in consideration for the issuance by Gas Services to NOVA of certain common and preferred shares and, to the extent necessary, for the assumption by Gas Services of certain liabilities of NOVA;
- (ii) the transfers by NOVA to New NOVA of the shares which it holds in Novacor Chemicals, Novacorp International and the common shares which it holds in Gas Services and certain accounts receivables owed by Novacor Chemicals in consideration for the issuance by New NOVA to NOVA of certain Class B common shares and to the extent necessary, for the assumption by New NOVA of certain liabilities of NOVA.

“Pre-Arrangement Transactions Agreements” means certain agreements to be entered into by NOVA and certain of its subsidiaries, including New NOVA, prior to the implementation of the Arrangement;

“Warrants” means the common share purchase warrants of NOVA issued under the Warrant Indenture; and

“Warrant Indenture” means the indenture dated July 29, 1986 between NOVA and Montreal Trust Company of Canada.

1.2 Interpretation Not Affected by Headings

The division of this Agreement into articles, sections and other portions and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Agreement. The terms “this Agreement”, “hereof”, and “hereunder” and similar expressions refer to this Agreement (including the appendix hereto) and not to any particular article, section or other portion hereof and include any agreement or instrument supplementary or ancillary hereto.

1.3 Number, Etc.

Unless the context otherwise requires, words importing the singular number only shall include the plural and vice versa, words importing the use of any gender shall include both genders; and words importing persons shall include firms, corporations, trusts and partnerships.

1.4 Date for Any Action

In the event that any date on which any action is required to be taken hereunder by any of the parties hereto is not a Business Day in the place where the action is required to be taken, such action shall be required to be taken on the next succeeding day which is a Business Day at such place, unless otherwise agreed to.

1.5 Entire Agreement

This Agreement, together with the exhibits, schedules, agreements and other documents herein or therein referred to, constitutes the entire agreement between the parties pertaining to the subject matter hereof and supersedes all prior agreements, understandings, negotiations and discussions, whether oral or written, between the parties with respect to the subject matter hereof.

1.6 Currency

All sums of money which are referred to in this Agreement are expressed in lawful money of Canada unless otherwise specified.

1.7 Subsidiaries

Subsidiary means, when used to indicate a relationship with another corporation, (i) a corporation which is controlled by (A) that other, or (B) that other and one or more companies, each of which is controlled by that other, or (C) two or more companies, each of which is controlled by that other or (ii) a subsidiary of a corporation that is that other's subsidiary.

ARTICLE 2

REPRESENTATIONS AND WARRANTIES

2.1 Representations and Warranties of NOVA

NOVA represents and warrants to and in favour of New NOVA as follows:

- (a) NOVA is a corporation duly organized and validly existing under the ABCA and is governed by the ABCA and the NOVA Corporation of Alberta Act and has the corporate power and authority to own, operate and lease its property and assets and to carry on its business as now being conducted by it, and it is duly registered, licensed or qualified to carry on business in each jurisdiction in which a material amount of its business is conducted or where the character of its properties and assets makes such registration, licensing or qualification necessary;
- (b) NOVA has the corporate power and authority to enter into this Agreement and, subject to obtaining the requisite approvals contemplated hereby, to perform its obligations hereunder;
- (c) the authorized capital of NOVA consists of an unlimited number of common shares, 5,000,000 warrants, an unlimited number of first, second and junior preferred shares and 100,000,000 subordinated junior preferred shares;
- (d) no individual, firm, corporation or other person holds any securities convertible or exchangeable into any shares of NOVA or of any of its subsidiaries or has any agreement, warrant, option or any right capable of becoming an agreement, warrant or option for the purchase of any unissued shares of NOVA or any of its subsidiaries, except for:
 - (i) holders of NOVA Common Shares and preferred shares of NOVA who have rights to purchase NOVA Common Shares pursuant to NOVA's dividend reinvestment and share purchase plan;

- (ii) employees or former employees of NOVA and its subsidiaries who have options to purchase NOVA Common Shares pursuant to NOVA's employee stock option plan;
- (iii) the holder of the \$150,000,000 principal amount of 1987 Adjustable Rate Convertible Subordinated Debentures issued by NOVA pursuant to a trust indenture dated January 11, 1988 between NOVA and Montreal Trust Company of Canada;
- (iv) the holders of Warrants;

(e) the execution and delivery of this Agreement by NOVA and the completion of the transactions contemplated herein;

- (i) do not and will not result in a breach of, or violate any term or provision of, the articles or by-laws of NOVA or any of the constating documents of its subsidiaries;
- (ii) subject to receiving any consent which may be necessary under any material agreement by which NOVA or any of its subsidiaries is bound, do not and will not, as of the Effective Date, conflict with, result in the breach of, constitute a default under, or accelerate or permit the acceleration of the performance required by, any agreement, instrument, license, permit or authority to which NOVA and its subsidiaries taken as a whole, or to which any material property of NOVA or any of its subsidiaries, is subject, or result in the creation of any lien, charge or encumbrance upon any of the material assets of NOVA or any of its subsidiaries under any such agreement or instrument, or give to any person any material interest or right, including rights of purchase, termination, cancellation or acceleration, under any such agreement, instrument, license, permit or authority; and
- (iii) subject to receipt of necessary approvals of the holders of NOVA Common Shares and the Court, do not and will not as of the Effective Date violate any provision of law or administrative regulation or any judicial or administrative award, judgment or decree applicable and known to NOVA, after due inquiry, the breach of which would have a material adverse effect on NOVA and its subsidiaries taken as a whole;

(f) to the best of the knowledge of NOVA after due inquiry, there are no actions, suits, proceedings or investigations commenced, contemplated or threatened against or affecting NOVA or any subsidiary of NOVA, at law or in equity, before or by any governmental department, commission, board, bureau, court, agency, arbitrator or instrumentality, domestic or foreign, of any kind nor, to the best of the knowledge of NOVA, after due inquiry, are there any existing facts or conditions which may reasonably be expected, individually or in the aggregate, to be a proper basis for any actions, suits, proceedings or investigations, which in any case would prevent the consummation of the transactions contemplated by this Agreement, or which may reasonably be expected individually or in the aggregate to have a material adverse effect on the business, operations, properties, assets or affairs, financial or otherwise, of NOVA and its subsidiaries, taken as a whole, either before or after the Effective Date;

(g) the execution and delivery of this Agreement and the completion of the transactions contemplated herein have been duly approved by the board of directors of NOVA and this agreement has been duly executed and delivered by NOVA and constitutes a valid and binding obligation of NOVA enforceable against it in accordance with its terms, except as may be limited by bankruptcy, insolvency or other laws affecting the enforcement of creditors' rights generally and subject to the qualification that equitable remedies may only be granted in the discretion of a court of competent jurisdiction; and

(h) the information set forth in the Information Circular and incorporated therein by reference relating to NOVA and its subsidiaries and the interests of NOVA and such subsidiaries, their respective businesses and properties and the effect of the Pre-Arrangement Transactions, the Arrangement Transactions and the Post-Arrangement Transactions thereon is true, correct and complete in all material respects and does not contain any untrue statement of any material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein not misleading in the light of the circumstances in which they are made.

2.2 Representations and Warranties of New NOVA

New NOVA represents and warrants to and in favour of NOVA as follows:

- (a) New NOVA is a corporation duly organized and validly existing under the ABCA;
- (b) New NOVA has the corporate power and authority to enter into this Agreement and, subject to obtaining the requisite approvals contemplated hereby, to perform its obligations hereunder;
- (c) prior to the Effective Date the authorized capital of New NOVA will consist of an unlimited number of common shares, an unlimited number of Class B shares, an unlimited number of first preferred shares and an unlimited number of second preferred shares, of which there are issued and outstanding as at the date hereof one Class B share;
- (d) except as contemplated by this Agreement or the Information Circular no individual, firm, corporation or other person holds any securities convertible or exchangeable into any shares of New NOVA or has any agreement, warrant, option or any right capable of becoming an agreement, warrant or option for the purchase of any unissued shares of New NOVA;
- (e) the execution and delivery of this Agreement by New NOVA and the completion of the transactions contemplated herein:
 - (i) do not and will not result in the breach of, or violate any term or provision of, the articles or by-laws of New NOVA; and
 - (ii) do not and will not, as of the Effective Date, violate any provision of law or administrative regulation or any judicial or administrative award, judgment or decree applicable and known to New NOVA, after due inquiry, the breach of which would have a material adverse effect on New NOVA;
- (f) the execution and delivery of this Agreement and the completion of the transactions contemplated herein have been duly approved by the board of directors of New NOVA and this Agreement has been executed and delivered by and constitutes a valid and binding obligation of New NOVA enforceable against it in accordance with its terms, except as may be limited by bankruptcy, insolvency or other laws affecting the enforcement of creditors' rights generally and subject to the qualification that equitable remedies may only be granted in the discretion of a court of competent jurisdiction; and
- (g) New NOVA is not engaged in any business nor is it a party to or bound by any contract, agreement, arrangement, instrument, license, permit or authority, other than this Agreement and any transaction or agreement necessary or incidental to the fulfilment of its obligations under this Agreement, or as contemplated by the Information Circular, nor does it have any liabilities, contingent or otherwise, except as provided in or permitted by this Agreement.

ARTICLE 3

COVENANTS

3.1 Covenants of NOVA

Except as NOVA and New NOVA may otherwise agree in writing, NOVA hereby covenants and agrees as follows:

- (a) until the Effective Date, NOVA shall and shall cause each of its subsidiaries to carry on its business in the ordinary course and shall not enter into any transaction or incur any obligation or liability out of the ordinary course of its business, except as otherwise contemplated in this Agreement;
- (b) except as otherwise contemplated in this Agreement, until the Effective Date, NOVA shall not, and shall not suffer or permit any of its subsidiaries to, merge into or with, or amalgamate, consolidate or enter into any other corporate reorganization with, any other corporation or person, or perform any act or enter into any transaction or negotiation which reasonably could be expected to, directly or indirectly, interfere or be inconsistent with the completion of the Arrangement and, without limiting the generality of the foregoing, NOVA shall not and shall not suffer or permit any subsidiary to:

- (i) make distributions by way of dividend, return of capital or otherwise to or for the benefit of its shareholders, except for the payment of regular dividends payable in the ordinary course to shareholders of such corporation;
- (ii) except in the ordinary course of business or as contemplated by this Agreement, issue any shares of, or any rights of any kind to acquire any shares of, any class of its share capital or other securities convertible or exchangeable into shares or options which are exercisable for the purchase of shares in its capital or enter into any commitment or agreement therefor; and
- (c) NOVA shall perform the obligations required to be performed by it hereunder and shall do all such other acts and things as may be necessary or reasonably required in order to give effect to the Pre-Arrangement Transactions, the Arrangement Transactions and the Post-Arrangement Transactions and, without limiting the generality of the foregoing, NOVA shall use all reasonable efforts to apply for and obtain:
 - (i) the Advance Tax Rulings;
 - (ii) the Interim Order and the Final Order on terms and conditions satisfactory to NOVA;
 - (iii) such consents or agreements as may be necessary pursuant to any material agreement of NOVA or any of its subsidiaries on terms and conditions satisfactory to NOVA; and
 - (iv) such other consents, orders, approvals and rulings as counsel to NOVA may advise are necessary or reasonably desirable for the implementation of the Pre-Arrangement Transactions, the Arrangement Transactions and the Post-Arrangement Transactions and completion of the other transactions contemplated herein, including those referred to in section 4.1 hereof on terms and conditions satisfactory to NOVA.

3.2 Covenants of New NOVA

Except as NOVA and New NOVA may otherwise agree in writing, New NOVA hereby covenants and agrees as follows:

- (a) except as otherwise contemplated by this Agreement, until the Effective Date, New NOVA shall not issue any shares, purchase any shares, pay any dividend or make any distribution to its shareholders, engage in any business, enter into any contract, arrangement or agreement other than as contemplated by this Agreement or enter into any transaction or negotiation which reasonably could be expected to, directly or indirectly, interfere with or be inconsistent with the completion of the Pre-Arrangement Transactions, the Arrangement Transactions or the Post-Arrangement Transactions;
- (b) New NOVA shall perform the obligations required to be performed by it hereunder and shall do all such other acts and things as may be necessary or reasonably required in order to give effect to the Pre-Arrangement Transactions, the Arrangement Transactions and the Post-Arrangement Transactions, and without limiting the generality of the foregoing, New NOVA shall use all reasonable efforts to:
 - (i) apply for and obtain the Interim Order and the Final Order as provided in section 3.3 hereof on terms and conditions satisfactory to New NOVA;
 - (ii) assist NOVA in obtaining any consents or agreements as contemplated in section 3.1(c)(iii) hereof on terms and conditions satisfactory to New NOVA;
 - (iii) apply for and obtain such other consents, orders, approvals and rulings as counsel to New NOVA may advise are necessary or reasonably desirable for the implementation of the Pre-Arrangement Transactions, the Arrangement Transactions and the Post-Arrangement Transactions and completion of the other transactions contemplated herein, including those referred to in section 4.1 hereof on terms and conditions satisfactory to New NOVA; and
 - (iv) execute, together with a holder of a NOVA Common Share, a joint election under subsection 85(1) or subsection 85(2) of the *Income Tax Act* (Canada) or under any corresponding provincial legislation in respect of the exchange of NOVA Common Shares for New NOVA Common Shares, if requested to do so by such holder.

3.3 Interim Order and Final Order

Each party covenants and agrees that it will, as soon as reasonably practicable, apply to the Court pursuant to Section 186 of the ABCA for the Interim Order providing for, among other things, the calling and holding of the Meeting for the purpose of, among other matters, considering and, if deemed advisable, approving the Arrangement and that, if the approval of holders of NOVA Common Shares of the Arrangement as set forth in the Interim Order is obtained by NOVA, as soon as practicable thereafter each party will take the necessary steps to submit the Arrangement to the Court and apply for the Final Order in such fashion as the Court may direct. As soon as practicable thereafter, and subject to compliance with any other conditions provided for in Article 4 hereof, NOVA and New NOVA shall send to the Registrar pursuant to subsection 186(10) of the ABCA articles of arrangement to give effect to the Arrangement.

3.4 Actions Relating to Tax Rulings

Notwithstanding any other provision of this Agreement, nothing in this Agreement shall prevent any of the parties hereto from performing any act or entering into any transaction or negotiation which is necessary or advisable to comply with the Advance Tax Rulings, including, without limiting the generality of the foregoing, any required amendments to the Pre-Arrangement Transactions, the Arrangement Transactions or the Post-Arrangement Transactions.

3.5 Implementation of Transactions

Each party covenants and agrees to take such action and to cause its subsidiaries to take such action as may be necessary or desirable in order to implement the Pre-Arrangement Transactions and the Arrangement Transactions.

3.6 Non-Survival of Representations, Warranties and Covenants

The respective representations, warranties and covenants of NOVA and New NOVA contained herein shall expire and be terminated and extinguished at and from the Effective Date, other than the covenants in section 3.1(c) and 3.2(b) and no party shall have any liability or further obligation to any party hereunder in respect of the respective representations, warranties and covenants thereafter, other than the covenants in sections 3.1 (c) and 3.2 (b).

ARTICLE 4 CONDITIONS

4.1 Mutual Conditions Precedent

The respective obligations of each party hereto to complete the transactions contemplated by this Agreement shall be subject to the satisfaction, on or before the Effective Date, of the following conditions, none of which may be waived by any party hereto in whole or in part:

- (a) the Arrangement, with or without amendment, shall have been approved at the Meeting in accordance with the Interim Order;
- (b) the Interim Order and the Final Order shall have been obtained in form and substance satisfactory to NOVA acting reasonably;
- (c) the Advance Tax Rulings shall be received and shall remain in full force and effect, and shall be unamended except at the request of NOVA;

4.2 Other Mutual Conditions Precedent

The respective obligations of each party hereto to complete the transactions contemplated by this Agreement shall be subject to the satisfaction or waiver of the following conditions on or before the Effective Date:

- (a) The Alberta Stock Exchange, The Toronto Stock Exchange, the Montreal Exchange and the New York Stock Exchange shall have confirmed, as of the Effective Date, the listing and posting for trading of the New NOVA Common Shares issuable on the Arrangement, subject to compliance with the listing requirements thereof;

- (b) no action shall have been instituted and be continuing on the Effective Date for an injunction to restrain, a declaratory judgment in respect of or damages on account of or relating to the Arrangement and no cease trading or similar order with respect to any securities of NOVA or New NOVA shall have been issued and remain outstanding;
- (c) all material regulatory requirements shall have been complied with and all other material consents, agreements, orders and approvals, including regulatory and judicial approvals and orders, necessary for the completion of the transactions provided for in this Agreement or contemplated by the Information Circular shall have been obtained or received from the persons, authorities or bodies having jurisdiction in the circumstances including, without limitation, pursuant to the Securities Act (Alberta), the Securities Act (Ontario) and the comparable securities legislation of the other provinces of Canada where shareholders of NOVA reside and pursuant to the U.S. Securities Act of 1933 and the U.S. Securities and Exchange Act of 1934 and comparable securities legislation of the States of the United States where shareholders of NOVA reside;
- (d) none of the consents, orders, regulations or approvals contemplated herein shall contain terms or conditions or require undertakings or security deemed unsatisfactory or unacceptable by NOVA or New NOVA acting reasonably;
- (e) the parties hereto shall be ready, willing and able to complete the Pre-Arrangement Transactions contemplated herein immediately prior to the Arrangement coming into effect, and the Post-Arrangement Transactions contemplated herein following the Arrangement coming into effect, all at the time and in the order contemplated herein; and
- (f) this Agreement shall not have been terminated under Article 5.

4.3 Conditions to Obligations of Each Party

The obligation of each of NOVA and New NOVA to complete the transactions contemplated by this Agreement is further subject to the condition, which may be waived by any such party without prejudice to its right to rely on any other condition in favour of such party, that each and every one of the covenants of the other party hereto to be performed on or before the Effective Date pursuant to the terms of this Agreement shall have been duly performed by such party and that, except as affected by the transactions contemplated by this Agreement, the representations and warranties of the other party hereto shall be true and correct in all material respects as at the Effective Date, with the same effect as if such representations and warranties had been made at and as of such time, and each party shall have received a certificate, dated the Effective Date, of a senior officer of each other party confirming the same.

4.4 Merger of Conditions

The conditions set out in section 4.1 and 4.2 shall be conclusively deemed to have been satisfied, waived or released upon the delivery to the Registrar pursuant to subsection 186(10) of the ABCA of articles of arrangement to give effect to the Arrangement.

ARTICLE 5

AMENDMENT AND TERMINATION

5.1 Amendment

This Agreement may, at any time and from time to time and after the holding of the Meeting but not later than the Effective Date, be amended in a manner not materially prejudicial to the holders of NOVA Common Shares by written agreement of the parties hereto without, subject to applicable law, further notice to or authorization on the part of the holders of NOVA Common Shares.

5.2 Termination

This Agreement may, at any time before or after the holding of the Meeting but no later than the Effective Date, be terminated by the board of directors of NOVA for any reason whatsoever, acting in good faith and in its sole discretion without further notice to, or action on the part of, the holders of NOVA Common Shares.

5.3 Effect of Termination

Upon the termination of this Agreement pursuant to section 5.2 hereof, no party shall have any liability or further obligation to any other party hereunder.

ARTICLE 6

GENERAL

6.1 Notices

All notices which may or are required to be given pursuant to any provision of this Agreement shall be given or made in writing and shall be deemed to be validly given if served personally or by facsimile, in each case to the attention of the senior officer at the following addresses or at such other addresses as shall be specified by the parties by like notice:

If to NOVA:

P.O. Box 2535, Station M
801 Seventh Avenue S.W.
Calgary, Alberta
T2P 2N6
Fax (403) 261-3557

Attention: Jack S. Mustoe, Senior Vice
President, General Counsel and
Corporate Secretary

If to New NOVA:

P.O. Box 2535, Station M
801 Seventh Avenue S.W.
Calgary, Alberta
T2P 2N6
Fax (403) 261-3557

Attention: Jack S. Mustoe, Senior Vice
President, General Counsel and
Corporate Secretary

The date of receipt of any such notice shall be deemed to be the date of delivery or facsimile transmission thereof.

6.2 Assignment

No party may assign its rights or obligations under this Agreement or the Arrangement without the prior written consent of the other party hereto.

6.3 Binding Effect

This Agreement and the Arrangement shall be binding upon and shall enure to the benefit of the parties hereto and their respective successors and permitted assigns and, in the case of the Arrangement, shall enure to the benefit of the holders from time to time of the NOVA Common Shares and the New NOVA Common Shares.

6.4 Waiver

Any waiver or release of any of the provisions of this Agreement, to be effective, must be in writing executed by the party granting the same. Waivers may only be granted upon compliance with the terms governing amendments set forth in section 5.1 hereof, applied *mutatis mutandis*.

6.5 Governing Law

This Agreement shall be governed by and construed in accordance with the laws of the Province of Alberta and the laws of Canada applicable therein and shall be treated in all respects as an Alberta contract.

IN WITNESS WHEREOF the parties hereto have executed this Agreement as of the year and day first above written.

NOVA Corporation of Alberta

Per: (Signed) R. C. Milner
Senior Vice President and Treasurer

Per: (Signed) J. S. Mustoe
Senior Vice President, General Counsel and
Corporate Secretary

NOVA Corporation

Per: (Signed) R. C. Milner
Senior Vice President and Treasurer

Per: (Signed) J. S. Mustoe
Senior Vice President, General Counsel and
Corporate Secretary

APPENDIX 1
TO THE ARRANGEMENT AGREEMENT
PLAN OF ARRANGEMENT UNDER SECTION 186
OF THE BUSINESS CORPORATIONS ACT (ALBERTA)

ARTICLE 1
INTERPRETATION

1.1 In this Arrangement, unless there is something in the subject matter or context inconsistent therewith:

- (a) “Act” means the Business Corporations Act (Alberta), S.A. 1981, c.B-15, as amended;
- (b) “Arrangement” means an arrangement under the provisions of Section 186 of the Act, on the terms and conditions set forth in this Plan of Arrangement;
- (c) “Effective Date” means the date shown on the certificate of amendment giving effect to the Arrangement which is issued under the Act by the Registrar;
- (d) “New NOVA” means NOVA Corporation, a corporation continued under the Act;
- (e) “New NOVA Common Shares” means the common shares in the capital of New NOVA;
- (f) “NOVA” means NOVA Corporation of Alberta, a corporation continued under the Act;
- (g) “NOVA Common Shares” means the common shares in the capital of NOVA issued and outstanding immediately prior to the Effective Date, other than those referred to in Subsection 3.1(a);
- (h) “Registrar” means the Registrar appointed under Section 253 of the Act;
- (i) “Warrants” means the common share purchase warrants of NOVA issued under the Warrant Indenture; and
- (j) “Warrant Indenture” means the indenture dated July 29, 1986 between NOVA and Montreal Trust Company of Canada.

ARTICLE 2
THE ARRANGEMENT

2.1 On the Effective Date, the following shall occur and be deemed to occur without further act or formality and in the following order:

- (a) the following will occur contemporaneously:
 - (i) all of the NOVA Common Shares shall be and be deemed to be transferred to New NOVA in exchange for New NOVA Common Shares to be issued by New NOVA on the basis of one New NOVA Common Share for each one NOVA Common Share and there shall be added to the stated capital of New NOVA an amount equal to the stated capital of the NOVA Common Shares so transferred to New NOVA;
 - (ii) New NOVA shall purchase for cancellation all of the issued and outstanding Class B shares of New NOVA held by NOVA; New NOVA shall satisfy the purchase price for such Class B shares by issuing a demand note to NOVA in a principal amount equal to the fair market value of such Class B shares (the “New NOVA Note”);
- (b) New NOVA will assume NOVA’s liabilities and obligations (other than accrued interest) under the 1987 Adjustable Rate Convertible Subordinated Debentures which will become convertible into New NOVA Common Shares on identical terms as it is currently convertible into Common Shares of NOVA in consideration for the issuance by NOVA of NOVA Common Shares to New NOVA having an aggregate fair market value of \$150 million;
- (c) NOVA will reduce its stated capital in respect of the NOVA Common Shares to \$1.00 (with the amount of such reduction being added to contributed surplus);

- (d) NOVA will declare a dividend on the NOVA Common Shares in an amount equal to the principal amount of the New NOVA Note, which dividend shall be paid by the issuance by NOVA of a demand promissory note (the “NOVA Note”) having a principal amount equal to the principal amount of the New NOVA Note;
- (e) NOVA and New NOVA will set off their respective liabilities under the NOVA Note and the New NOVA Note in full satisfaction of both such liabilities;
- (f) further to the provisions of the Warrant Indenture, upon the exercise of a Warrant, the holder will be entitled to receive three New NOVA Common Shares (instead of three NOVA Common Shares), or one First Preferred Share of NOVA or one Second Preferred Share of NOVA;
- (g) NOVA’s Option Plan will be assumed by New NOVA and options to purchase NOVA Common Shares will become options to purchase New NOVA Common Shares on the same terms and conditions as the holder was entitled to purchase NOVA Common Shares;
- (h) with respect to each holder of New NOVA Common Shares to whom subsection 2.1(a)(i) applies:
 - (i) such holder’s NOVA Common Shares shall be and be deemed to be transferred to New NOVA;
 - (ii) such holder shall cease to be a holder of NOVA Common Shares and such holder’s name shall be removed from the register of NOVA Common Shares with respect to such shares transferred to New NOVA;
 - (iii) there shall be allotted and issued to such holder, as fully paid and non-assessable shares, the number of New NOVA Common Shares calculated on the basis set forth in subsection 2.1(a)(i) and such holder’s name shall be added to the register of New NOVA Common Shares as the registered holder of such New NOVA Common Shares;
 - (iv) New NOVA shall be and be deemed to be the transferee and sole holder of the NOVA Common Shares so transferred to it, its name shall be entered in the register of the holders of NOVA Common Shares and it shall, as soon as reasonably practicable, be entitled to receive certificates representing such NOVA Common Shares; and
- (i) the articles of amendment of New NOVA shall be further amended to remove the Class B shares from the authorized capital of New NOVA.

ARTICLE 3 DISSENTING SHAREHOLDERS

3.1 Holders of NOVA Common Shares who exercise rights of dissent as set out in the Interim Order and who:

- (a) are ultimately entitled to be paid fair value for their NOVA Common Shares shall be deemed to have transferred their NOVA Common Shares to NOVA immediately prior to the Effective Date; or
- (b) are ultimately not entitled, for any reason, to be paid fair value for their NOVA Common Shares, shall be deemed to have exchanged their NOVA Common Shares on the Effective Date for New NOVA Common Shares as provided in subsections 2.1(a)(i);

but in no case shall NOVA be required to recognize such holders as shareholders of NOVA from and after the Effective Date, and the names of such holders shall be deleted from the register of holders of NOVA Common Shares from and after the Effective Date.

ARTICLE 4 CERTIFICATES

4.1 Share Certificates

On the Effective Date, the existing certificates for NOVA Common Shares will be deemed for all purposes to represent the same number of New NOVA Common Shares. As soon as practicable following the Effective Date, New NOVA shall cause to be delivered to its transfer agent share certificates representing New NOVA Common

Shares which holders of NOVA Common Shares are entitled to receive upon presentation of their NOVA Common Share certificates for cancellation following the Arrangement, and New NOVA's transfer agent shall deliver the certificates for such New NOVA Common Shares to such holders on the basis of one New NOVA Common Share for each one NOVA Common Share owned by each such holder.

4.2 Delivery of Share Certificates

From and after the Effective Date, each share certificate representing a given number of NOVA Common Shares which was outstanding prior to the Effective Date shall represent the same number of New NOVA Common Shares and the right of the registered holder to receive certificates representing the number of New NOVA Common Shares represented by such certificate.

SCHEDULE C

**IN THE COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL DISTRICT OF CALGARY**

**IN THE MATTER OF THE BUSINESS CORPORATIONS ACT (ALBERTA),
S.A. 1981, c. B-15, AS AMENDED**

**AND IN THE MATTER OF A PROPOSED PLAN OF ARRANGEMENT INVOLVING
NOVA CORPORATION OF ALBERTA,
ITS COMMON SHAREHOLDERS AND NOVA CORPORATION**

BEFORE THE HONOURABLE MR. JUSTICE G. R. FORSYTH IN CHAMBERS	} Dated at the Court House, in the City of Calgary, } Province of Alberta, on Friday, the 4th day } of March, 1994. }
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ORDER

UPON the Application ex parte of NOVA Corporation of Alberta ("NOVA") and NOVA Corporation ("New NOVA") (collectively, the "Petitioners") for certain directions in connection with a proposed arrangement under the Business Corporations Act (Alberta) (the "ABC");

AND UPON reading the said Petition, and the Affidavit of Albert Terence Poole and the documents referred to therein filed;

AND UPON BEING ADVISED that the Chief of Securities Administration of the Alberta Securities Commission has been given notice of this application as required by Section 186(8) of the ABCA and has advised that he does not intend to appear in person or by counsel or make any representations;

AND UPON hearing counsel for the Petitioners:

IT IS HEREBY ORDERED AND DIRECTED THAT:

1. NOVA may in conjunction with its annual meeting of the holders (the "NOVA Common Shareholders") of its common shares (the "NOVA Common Shares") call, hold and conduct a special meeting (the "Meeting") of the NOVA Common Shareholders for the following purposes:
 - (a) to consider, and if deemed advisable to pass, with or without variation, a special resolution (the "Arrangement Resolution") to approve a proposed Plan of Arrangement involving NOVA, its Common Shareholders and New NOVA, a true copy of which Plan of Arrangement in substantially final form is annexed as Appendix 1 to Schedule B of Exhibit "A" to the Affidavit of Albert Terence Poole sworn the 4th day of March, 1994; and
 - (b) to transact such other business as may properly be brought before the Meeting.
2. The Meeting shall be called, held and conducted in accordance with the ABCA, the NOVA Corporation of Alberta Act, R.S.A. 1980, c. N-12, as amended, and the articles of continuance and the by-laws of NOVA, subject to the other provisions of this Order.
3. NOVA shall mail the Notice of Meeting, Notice of Application to the Court of Queen's Bench of Alberta and Management Information Circular (the "Circular") in substantially the form contained in Exhibit "A" to the Affidavit of Albert Terence Poole filed herein, with such amendments as are not inconsistent with the terms of this Order, to the NOVA Common Shareholders as at the close of business on March 23, 1994, to the directors and auditors of NOVA, and to the Chief of Securities Administration, by mailing the same by prepaid ordinary mail to such persons at least 21 days prior to the date of the Meeting, excluding the date of mailing and excluding the date of the Meeting. NOVA shall publish notice to the holders of NOVA Warrants of the proposed arrangement on March 23, 1994 in accordance with the notice provisions of the Warrant Indenture dated July 29, 1986. The form of notice shall be substantially in the form contained in Exhibit "B" to the Affidavit of Albert Terence Poole filed herein. NOVA shall mail by prepaid ordinary mail a copy of this Interim Order, the Notice of Application to the Court of Queen's Bench of Alberta and the Summary contained in the Circular to the holders of NOVA preferred shares and publicly traded registered

debentures as at the close of business on March 23, 1994 (notice to the holders of publicly traded debentures in bearer form shall be given by published notice in accordance with the notice provisions of the applicable trust indenture).

4. The accidental omission to give notice of the Meeting, or the non-receipt of such notice by one or more of the persons specified in paragraphs 3 and 8 hereof, shall not invalidate any resolution passed or proceedings taken at the Meeting.
5. The quorum for the transaction of business at the Meeting shall be those persons present in person or by proxy and holding or representing at least 10% of the NOVA Common Shares.
6. The majority required to pass the Arrangement Resolution shall be at least 66½% of the votes cast by the NOVA Common Shareholders voting in person or by proxy at the Meeting.
7. The NOVA Common Shareholders shall have the right to dissent from the Arrangement Resolution approving the Arrangement in accordance with the provisions of Section 184 of the ABCA, as modified hereby or as may be necessary to reflect the terms of the Plan of Arrangement except that in order for a dissenting NOVA Common Shareholder to be entitled to make a claim pursuant to Section 184, an objection must be received by the Corporate Secretary of NOVA at its principal office located at 801 Seventh Avenue S.W., Calgary, Alberta, T2P 2N6 or lodged with the Chairman of the Meeting no later than the commencement of the Meeting. Notice to the NOVA Common Shareholders of their right to dissent with respect to the Arrangement Resolution and to receive, subject to the provisions of this Order, from NOVA the fair value of their NOVA Common Shares shall be good and sufficiently given by including information with respect thereto in the Management Information Circular to be sent to the NOVA Common Shareholders in accordance with paragraph 3 of this Order.
8. The only persons entitled to notice of the Meeting shall be registered holders of NOVA Common Shares, the directors and auditors of NOVA, and the Chief of Securities Administration, and the only persons entitled to be represented and to vote at the Meeting, either in person or by proxy, shall be the registered holders of NOVA Common Shares as at the close of business on the 23rd day of March, 1994, subject to the provisions of the ABCA with respect to persons who become registered holders of such securities after that date.
9. Upon approval of the Arrangement Resolution at the Meeting in the manner set forth in this Order, NOVA and New NOVA may apply before this Court for approval of the Plan of Arrangement, which application shall be heard at the Court House, 611 Fourth Street S.W., Calgary, Alberta, on the 9th day of May, 1994 at 11:00 a.m. (Calgary time), or so soon thereafter as counsel may be heard.
10. The mailing or publication of the materials referred to in paragraph 3 above in accordance with the provisions of this Order shall constitute good and sufficient service in respect of the Application to the Court of Queen's Bench of Alberta upon all persons who are entitled to receive such notice pursuant to this Order and no other form of service need be made and no other material need be served on such persons in respect of these proceedings, and service of the Petition and the Affidavit of Albert Terence Poole, filed herein, is dispensed with except as to service on the Chief of Securities Administration.
11. Persons desiring to appear at the hearing on May 9, 1994, are required to file with the Court and serve on or before May 2, 1994, a notice of their intention to appear, including their addresses for service in Calgary, Alberta (or alternatively a telecopier number for service by telecopy), together with any evidence or material which is to be presented to the Court. Service on NOVA is to be effected by delivery to the solicitors for NOVA at:

Bennett Jones Verchere
4500 Bankers Hall East
855 - 2nd Street S.W.
Calgary, Alberta
T2P 4K7

Attention: Cliff D. O'Brien, Q.C.

12. In the event that the application for final approval of the Plan of Arrangement on May 9, 1994 is adjourned, then, subject to further order of this Court, only those persons having previously served a notice of intention to appear in accordance with paragraph 11 hereof shall have to be given notice of the adjournment date.
13. The Petitioners are entitled at any time to seek leave to vary this Order upon such terms and the giving of such notice as this Court may direct.

(Signed) G. R. Forsyth
J.C.Q.B.A.

ENTERED THIS 4TH DAY OF MARCH, 1994.

(Signed) Jim McLaughlin
Clerk of the Court

SCHEDULE D

**FORM OF
SHAREHOLDER RIGHTS PLAN
AGREEMENT**

**TO BE
DATED AS OF
MAY 6, 1994**

Between

NOVA CORPORATION

and

THE R-M TRUST COMPANY
as Rights Agent

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SHAREHOLDER RIGHTS PLAN AGREEMENT

MEMORANDUM OF AGREEMENT, dated as of May 6, 1994 between NOVA Corporation ("New NOVA") a corporation incorporated under the laws of Alberta and The R-M Trust Company, a trust company incorporated under the laws of Canada (the "Rights Agent");

WHEREAS pursuant to the terms of a plan of arrangement involving NOVA Corporation of Alberta ("NOVA"), its common shareholders and New NOVA, holders of common shares of NOVA will become holders of Common Shares of New NOVA on May 10, 1994;

AND WHEREAS the board of directors of New NOVA has determined that it is in the best interests of New NOVA to adopt a shareholder rights plan to ensure, to the extent possible, that all shareholders of New NOVA are treated fairly in connection with any take-over bid for New NOVA;

AND WHEREAS in order to implement the adoption of a shareholder rights plan as established by this Agreement, the board of directors of New NOVA has:

- (a) authorized the issuance, effective one minute after the Effective Date (as hereinafter defined), of one Right (as hereinafter defined) in respect of each Common Share (as hereinafter defined) outstanding one minute after the Effective Date (the "Record Time"); and
- (b) authorized the issuance of one Right in respect of each Common Share of New NOVA issued after the Record Time and prior to the earlier of the Separation Time (as hereinafter defined) and the Expiration Time (as hereinafter defined);

AND WHEREAS each Right entitles the holder thereof, after the Separation Time, to purchase securities of New NOVA pursuant to the terms and subject to the conditions set forth herein;

AND WHEREAS New NOVA desires to appoint the Rights Agent to act on behalf of New NOVA and the holders of Rights, and the Rights Agent is willing to so act, in connection with the issuance, transfer, exchange and replacement of Rights Certificates (as hereinafter defined), the exercise of Rights and other matters referred to herein;

AND WHEREAS the board of directors of New NOVA proposes that this Agreement be in place for a period of five years;

NOW THEREFORE, in consideration of the premises and the respective covenants and agreements set forth herein, and subject to such covenants and agreements, the parties hereby agree as follows:

ARTICLE 1 — INTERPRETATION

1.1 Certain Definitions

For purposes of this Agreement, the following terms have the meanings indicated:

- (a) "**ABC Act**" means the *Business Corporations Act* (Alberta), S.A. 1981, c. B-15, as amended, and the regulations made thereunder and any comparable or successor laws or regulations thereto;
- (b) "**Acquiring Person**" means any Person who is the Beneficial owner of 15% or more of the outstanding Voting Shares of any class; provided, however, that the term "**Acquiring Person**" shall not include:
 - (i) New NOVA or any Subsidiary of New NOVA;
 - (ii) any Person who becomes the Beneficial owner of 15% or more of the outstanding Voting Shares of any class as a result of one or any combination of (A) an acquisition or redemption by New NOVA of Voting Shares of any class which, by reducing the number of Voting Shares of that particular class outstanding, increases the proportionate number of Voting Shares of that particular class Beneficially owned by such Person to 15% or more of the Voting Shares of that particular class then outstanding, or (B) Permitted Bid Acquisitions; provided, however, that if a Person becomes the Beneficial owner of 15% or more of the outstanding Voting Shares of any class by reason of one or any combination of the operation of Paragraphs (A) or (B) above and such Person thereafter becomes the Beneficial owner of any additional Voting Shares of that particular class other

than pursuant to Permitted Bid Acquisitions or Pro Rata Acquisitions, then as of the date such Person becomes the Beneficial owner of such additional Voting Shares of that particular class, such Person shall become an “Acquiring Person”; or

- (iii) for a period of 10 days after the Disqualification Date (as defined below), any Person who becomes the Beneficial owner of 15% or more of the outstanding Voting Shares as a result of such Person becoming disqualified from relying on Clause 1.1(g)(D) solely because such Person or the Beneficial owner of such Voting Shares has participated in, proposes or intends to make or is participating in a Take-over Bid or any plan or proposal relating thereto or resulting therefrom, either alone or by acting jointly or in concert with any other Person. For the purposes of this definition, “Disqualification Date” means the first date of a public announcement of facts indicating that any Person has participated in, has made, proposes or intends to make or is participating in a Take-over Bid or any proposals relating thereto or resulting therefrom including, without limitation, a report filed pursuant to Section 141 of the *Securities Act* (Alberta), Section 101 of the *Securities Act* (Ontario) or Section 13(d) of the U.S. Exchange Act;
- (c) “**Affiliate**”, used to indicate a relationship with a specified Person, shall mean a Person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, such a specified Person.
- (d) “**Agreement**” means this shareholder rights plan agreement dated as of May 6, 1994 between New NOVA and the Rights Agent, as amended or supplemented from time to time; “hereof”, “herein”, “hereto” and similar expressions mean and refer to this Agreement as a whole and not to any particular part of this Agreement;
- (e) “**annual cash dividend**” means cash dividends paid in any fiscal year of New NOVA, or if applicable, NOVA, to the extent that such cash dividends do not exceed in the aggregate, the greatest of:
 - (i) 200% of the aggregate amount of cash dividends declared payable by New NOVA on its Common Shares in its immediately preceding fiscal year, provided that if this determination is made prior to December 31, 1994, then the applicable amount shall be 200% of the aggregate amount of cash dividends declared payable by NOVA on the NOVA common shares in the fiscal year ending December 31, 1993;
 - (ii) 300% of the arithmetic mean of the aggregate amounts of the annual cash dividends declared payable by New NOVA on its Common Shares in its three immediately preceding fiscal years, provided that if this determination requires consideration of a fiscal year ending on or prior to December 31, 1993, then reference shall be made to the annual cash dividends declared payable by NOVA on the NOVA common shares in such fiscal year (as required); and
 - (iii) 100% of the aggregate consolidated net income of New NOVA, before extraordinary items, for its immediately preceding fiscal year, provided that if this determination is made prior to December 31, 1994, then the applicable amount shall be 100% of the aggregate consolidated net income of NOVA in the fiscal year ending December 31, 1993;
- (f) “**Associate**” means, when used to indicate a relationship with a specified Person:
 - (i) any corporation, partnership or other organization of which such specified Person is an officer or partner;
 - (ii) a corporation of which that Person Beneficially owns shares or securities currently convertible into shares carrying more than 10% of the voting rights exercisable with respect to the election of directors under all circumstances or by reason of the occurrence of an event that has occurred and is continuing, or a currently exercisable option or right to purchase such shares or such convertible securities;
 - (iii) any Person who is a director, officer, partner or trustee of such specified Person or of any corporation, partnership or other organization (other than New NOVA or any wholly-owned subsidiary of New NOVA) which is an Affiliate or Associate of such specified Person;
 - (iv) a trust or estate in which that Person has a substantial beneficial interest or in respect of which he serves as a trustee or in a similar capacity provided, however, that a Person shall not be an

Associate of a trust by reason only of the fact that such Person serves as trustee or in a similar capacity in relation to such trust if such person is duly licensed to carry on the business of a trust company under the laws of Canada or any province thereof or if a substantial portion of the ordinary business of such Person is the management of investment funds for unaffiliated investors and such Person acts as trustee or in a similar capacity in relation to such trust in the ordinary course of such business; and

- (v) a spouse of that Person, any Person of the opposite sex with whom that Person is living in a conjugal relationship outside marriage, a child of that Person, or a relative of that Person who has the same residence as that Person;
- (g) A Person shall be deemed the “**Beneficial owner**” of, and to have “**Beneficial ownership**” of, and to “**Beneficially own**”,
 - (i) any securities as to which such Person or any of such Person’s Affiliates or Associates is the direct or indirect beneficial owner and for this purpose a Person shall be deemed to be a Beneficial owner of all securities (1) owned by a partnership of which the Person is a partner, (2) owned by a trust of which the Person is a beneficiary (whether such Person’s interest in the trust is present or future, and/or vested or contingent), (3) owned jointly or in common with others, and (4) of which the Person may be deemed to be the beneficial owner (whether or not of record) pursuant to the provisions of the ABCA, the *Securities Act* (Alberta), including section 131 thereof, or the *Securities Act* (Ontario), including section 90 thereof, or pursuant to Rule 13d-3 or Rule 13d-5 under the U.S. Exchange Act (or pursuant to any comparable or successor laws, regulations or rules or, if such laws, regulations or rules shall be rescinded and there shall be no comparable or successor laws, regulations or rules, pursuant to the provisions of the ABCA, the *Securities Act* (Alberta) or the *Securities Act* (Ontario) or pursuant to Rule 13d-3 or 13d-5 as in effect on the date of this Agreement) whether or not such laws or regulations apply to such Person;
 - (ii) any securities as to which such Person or any of such Person’s Affiliates or Associates has, directly or indirectly, (1) the right to acquire (whether such right is exercisable immediately or after the lapse or passage of time and whether or not on condition or the happening of any contingency or otherwise) pursuant to any agreement, arrangement, pledge or understanding, whether or not in writing (other than customary agreements with and between underwriters and/or banking group members and/or selling group members with respect to a *bona fide* public offering of securities and other than pledges of securities in the ordinary course of business that meet all the conditions specified in Rule 13d-3(d)(3) under the U.S. Exchange Act), or upon the exercise of any conversion right, exchange right, share purchase right (other than the Rights), warrant or option, or otherwise, or (2) the right to vote such securities (whether such right is exercisable immediately or after the lapse or passage of time and whether or not on condition or the happening of any contingency or otherwise), pursuant to any agreement, arrangement, pledge or understanding (whether or not in writing) or otherwise; and
 - (iii) any securities which are Beneficially owned within the meaning of Clauses 1.1(g)(i) or (ii) by any other Person with which such Person or any of such Person’s Affiliates or Associates has any agreement, arrangement or understanding, whether or not in writing (other than customary agreements with and between underwriters and/or banking group members and/or selling group members with respect to a *bona fide* public offering of securities) with respect to or for the purpose of acquiring, holding, voting or disposing of any Voting Shares of any class or acquiring, holding or disposing of a significant portion of the property or assets of New NOVA or any Subsidiary of New NOVA which represent a significant portion of the properties and assets of New NOVA on a consolidated basis;

provided, however, that a Person shall not be deemed the “**Beneficial owner**” of, or to have “**Beneficial ownership**” of, or to “**Beneficially own**”, any security:

- (A) solely because such security has been deposited or tendered pursuant to any Take-over Bid made by such Person, made by any of such Person’s Affiliates or Associates or made by any other Person referred to in Clause 1.1(g)(iii), until the earliest of such deposited or tendered security has been taken up or paid for;

- (B) solely because such Person, any of such Person's Affiliates or Associates or any other Person referred to in Clause 1.1(g)(iii), has or shares the power to vote or direct the voting of such security pursuant to a revocable proxy given in response to a public proxy solicitation made pursuant to and in accordance with the applicable rules and regulations under the ABCA, the *Securities Act* (Alberta) and the *Securities Act* (Ontario), except if such power (or the arrangements relating thereto) is then reportable under section 141 of the *Securities Act* (Alberta) or section 101 of the *Securities Act* (Ontario), or pursuant to any comparable or successor laws, regulations or rules or, if such laws, regulations or rules shall be rescinded and there shall be no comparable or successor laws, regulations or rules, pursuant to section 141 of the *Securities Act* (Alberta) or section 101 of the *Securities Act* (Ontario) as in effect on the date of this Agreement or solely because any such Person has an agreement, arrangement or understanding with respect to a shareholder proposal or a matter to come before a meeting of shareholders, including the election of directors;
- (C) solely because such Person, any of such Person's Affiliates or Associates or any other Person referred to in Clause 1.1(g)(iii), has or shares the power to vote or direct the voting of such security in connection with or in order to participate in a public proxy solicitation made or to be made pursuant to and in accordance with the applicable rules and regulations referred to in Paragraph (B) above or solely because any such Person has an agreement, arrangement or understanding with respect to a shareholder proposal or a matter to come before a meeting of shareholders, including the election of directors; or
- (D) solely because such Person, any of such Person's Affiliates or Associates or any other Person referred to in Clause 1.1(g)(iii), holds or exercises voting or dispositive power over such security provided that, (1) a substantial portion of the ordinary business of any such Person (the "Investment Manager") is the management of investment funds for others and such voting or dispositive power over such security is held by the Investment Manager in the ordinary course of such business in the performance of such Investment Manager's duties for the fully managed account of any other Person who is not an Associate or Affiliate of the Investment Manager; or (2) such Person (the "Trust Company") is licensed to carry on the business of a trust company under the laws of Canada or any province thereof and, as such, acts as trustee or administrator or in a similar capacity in relation to the estates of deceased or incompetent Persons and holds such voting or dispositive power over such security in the ordinary course of such duties for the estate of any such deceased or incompetent Person or for such other accounts, where such estate or any beneficiary thereof is not an Associate or Affiliate of the Trust Company; and (3) the Investment Manager or the Trust Company, as the case may be, has not made or is not then making a Take-over Bid alone or by acting jointly or in concert with any other Person;

- (h) "**Board of Directors**" means the board of directors of New NOVA or any duly constituted and empowered committee thereof;
- (i) "**Business Day**" means any day other than a Saturday, Sunday or a day on which banking institutions in Calgary are authorized or obligated by law to close;
- (j) "**close of business**" on any given date means the time on such date (or, if such date is not a Business Day, the time on the next succeeding Business Day) at which the principal transfer office in Calgary of the transfer agent for the Common Shares of New NOVA (or, after the Separation Time, the principal transfer office in Calgary of the Rights Agent) is closed to the public;
- (k) "**Canadian Dollar Equivalent**" of any amount which is expressed in United States Dollars means, on any date, the Canadian dollar equivalent of any such amount determined by multiplying such amount by the U.S. - Canadian Exchange Rate in effect on such date;
- (l) "**Canadian - U.S. Exchange Rate**" means, on any date, the inverse of the U.S. - Canadian exchange rate in effect on such date;
- (m) "**Common Shares**" means the common shares in the capital of New NOVA;

- (n) “Competing Permitted Bid” means a Take-over Bid that:
 - (i) is made after a Permitted Bid has been made and prior to the expiry of the Permitted Bid;
 - (ii) satisfies all components of the definition of a Permitted Bid other than the requirements set out in clause (iii) of the definition of a Permitted Bid; and
 - (iii) contains, and the take-up and payment for securities tendered or deposited is subject to, an irrevocable and unqualified provision that no Voting Shares of the particular class that is subject to the Take-over Bid will be taken up or paid for pursuant to the Take-over Bid prior to the close of business on a date that is no earlier than the date on which Voting Shares may be taken up under the Permitted Bid that preceded the Competing Permitted Bid (including as same may be affected by Subsection 5.1(d)) and only if at the date that the Voting Shares are to be taken up more than 50% of the Voting Shares held by Independent Shareholders shall have been deposited or tendered pursuant to the Competing Permitted Bid and not withdrawn;
- (o) “controlled”: a corporation shall be deemed to be “controlled” by another Person or two or more Persons if:
 - (i) securities entitled to vote in the election of directors carrying more than 50% of the votes for the election of directors are held, directly or indirectly, by or for the benefit of the other Person or Persons; and
 - (ii) the votes carried by such securities are entitled, if exercised, to elect a majority of the board of directors of such corporation;
- (p) “Co-Rights Agents” has the meaning ascribed thereto in Subsection 4.1(a);
- (q) “Disposition Date” has the meaning ascribed thereto in Subsection 5.1(a);
- (r) “Dividend Reinvestment Acquisition” means an acquisition of Voting Shares of any class pursuant to a Dividend Reinvestment Plan;
- (s) “Dividend Reinvestment Plan” means a regular dividend reinvestment or other plan of New NOVA made available by New NOVA to holders of its securities and to holders of securities of a Subsidiary of New NOVA, where such plan permits the holder to direct that some or all of:
 - (i) dividends paid in respect of shares of any class of New NOVA or a Subsidiary;
 - (ii) proceeds of redemption of shares of New NOVA or a Subsidiary;
 - (iii) interest paid on evidences of indebtedness of New NOVA or a Subsidiary; or
 - (iv) optional cash payments;

be applied to the purchase from New NOVA of Common Shares;
- (t) “Election to Exercise” has the meaning ascribed thereto in Subsection 2.2(d);
- (u) “Effective Date” means the effective date of that arrangement under Section 186 of the ABCA contemplated by New NOVA and NOVA, as described in that management information circular of NOVA dated March 28, 1994 which effective date is expected to be May 10, 1994;
- (v) “Exercise Price” means, as of any date, the price at which a holder may purchase the securities issuable upon exercise of one whole Right which, until adjustment thereof in accordance with the terms hereof, shall be \$30;
- (w) “Expansion Factor” has the meaning ascribed thereto in Subsection 2.3(a);
- (x) “Expiration Time” means the close of business on May 10, 1999;
- (y) “Extension Date” has the meaning ascribed thereto in Subsection 5.1(d);
- (z) “Fiduciary” means a trust company registered under the trust company legislation of Canada or any province thereof or a portfolio manager registered under the securities legislation of one or more provinces of Canada;

- (aa) “**Flip-in Event**” means a transaction in or pursuant to which any Person becomes an Acquiring Person;
- (ab) “**holder**” has the meaning ascribed thereto in Section 2.8;
- (ac) “**Independent Shareholders**” means holders of Voting Shares of the particular class that is the subject of the Permitted Bid or a Competing Permitted Bid, as the case may be, other than Voting Shares of that particular class Beneficially owned by the Offeror;
- (ad) “**Market Price**” per security of any securities on any date of determination means the average of the daily closing prices per share of such securities (determined as described below) on each of the 20 consecutive Trading Days through and including the Trading Day immediately preceding such date; provided, however, that if an event of a type analogous to any of the events described in Section 2.3 hereof shall have caused the closing prices used to determine the Market Price on any Trading Days not to be fully comparable with the closing price on such date of determination or, if the date of determination is not a Trading Day, on the immediately preceding Trading Day, each such closing price so used shall be appropriately adjusted in a manner analogous to the applicable adjustment provided for in Section 2.3 hereof in order to make it fully comparable with the closing price on such date of determination or, if the date of determination is not a Trading Day, on the immediately preceding Trading Day. The closing price per share of any securities on any date shall be:

- (i) the closing board lot sale price or, if such price is not available, the average of the closing bid and asked prices, for each of such securities as reported by the principal Canadian stock exchange (as determined by Board of Directors) on which such securities are listed or admitted to trading or, if for any reason neither of such prices is available on such day or the securities are not listed or admitted to trading on a Canadian stock exchange, the closing board lot sale price or, if such price is not available, the average of the closing bid and asked prices, for each share as reported by the principal national securities exchange (as determined by the Board of Directors) on which such securities are listed or admitted for trading;
- (ii) if for any reason none of such prices is available on such date or the securities are not listed or admitted to trading on a Canadian stock exchange or a national United States securities exchange, the last sale price, or in case no sale takes place on such date, the average of the high bid and low asked prices for each of such securities in the over-the-counter market, as quoted by any reporting system then in use (as determined by the Board of Directors); or
- (iii) if for any reason none of such parties is available on such day or the securities are not listed or admitted to trading on a Canadian stock exchange or a national United States securities exchange or quoted by any such reporting system, the average of the closing bid and asked prices as furnished by a professional market maker making a market in the securities selected by the Board of Directors;

provided, however, that if on any such date none of such prices is available, the closing price per share of such securities on such date shall mean the fair value per share of the securities on such date as determined in good faith by the Board of Directors, after consultation with a nationally or internationally recognized investment dealer or investment banker. The Market Price shall be expressed in Canadian dollars and, if initially determined in respect of any day forming part of the 20 consecutive Trading Day period in question in United States dollars, such amount shall be translated into Canadian dollars on such date at the Canadian Dollar Equivalent thereof.

Notwithstanding the foregoing, where the Board of Directors is satisfied that the Market Price of securities as determined herein was affected by an anticipated or actual Take-over Bid or by improper manipulation, the Board of Directors may, acting in good faith, determine the Market Price of securities, such determination to be based on a finding as to the price at which a holder of securities of that class could reasonably have expected to dispose of his securities immediately prior to the relevant date excluding any change in price reasonably attributable to the anticipated or actual Take-over Bid or the improper manipulation;

- (ae) “**New NOVA**” means NOVA Corporation, a corporation governed by the laws of Alberta, together, where the context requires, with its subsidiaries;
- (af) “**Nominee**” has the meaning ascribed thereto in Subsection 2.2(c);

- (ag) “**NOVA**”, means NOVA Corporation of Alberta, a corporation subject to the laws of Alberta, together, where the context requires, with its subsidiaries;
- (ah) “**NOVA Common Shares**” means common shares in the capital of NOVA;
- (ai) “**Offer to Acquire**” includes:
 - (i) an offer to purchase or a solicitation of an offer to sell Voting Shares of any class or classes, and
 - (ii) an acceptance of an offer to sell Voting Shares of any class or classes, whether or not such offer to sell has been solicited,

or any combination thereof, and the Person accepting an offer to sell shall be deemed to be making an Offer to Acquire to the Person that made the offer to sell;

- (aj) “**Offeror**” means a Person who has announced an intention to make or who has made a Take-over Bid;
- (ak) “**Offeror’s Securities**” means Voting Shares Beneficially owned by an Offeror and by any Person acting jointly or in concert with such Person on the date of the Offer to Acquire;
- (al) “**Permitted Bid**” means, subject to the requirements of Subsection 5.1(d) with respect to the period for which a Permitted Bid must stay open in the event that there should be one or more Competing Permitted Bids, a Take-over Bid made by an offeror that is made in compliance with, and not on a basis that is exempt from or otherwise not subject to (apart from any exemptions ordered or granted for purposes of uniformity or any other purpose by a court or securities regulatory authority having jurisdiction (but always subject to the requirement that the Take-over Bid be by way of a take-over bid circular)), the provisions of: (i) sections 135 through 137.2, both inclusive, and section 140 of the *Securities Act* (Alberta); (ii) sections 95 through 98, both inclusive, and section 100 of the *Securities Act* (Ontario); and, if applicable, (iii) sections 10, 13(d) and 14 of the U.S. Exchange Act, or pursuant to any successor or comparable laws, regulations or rules, or if such laws, regulations or rules shall be rescinded and there shall be no successor laws, regulations or rules, pursuant to sections 135 through 137.2, both inclusive, and section 140 of the *Securities Act* (Alberta), sections 95 through 98, both inclusive, and section 100 of the *Securities Act* (Ontario), and, if applicable, sections 10, 13(d) and 14 of the U.S. Exchange Act as in effect on the date hereof, and which also complies with the following additional provisions:
 - (i) the Take-over Bid is made for all outstanding Voting Shares of a particular class and to all holders of Voting Shares of that particular class wherever resident as registered on the books of New NOVA, other than the Offeror;
 - (ii) the Person making the Take-over Bid does not Beneficially own more than 10% of the outstanding Voting Shares and any further acquisitions of Voting Shares during the pendency of such Take-over Bid are made in accordance with applicable provisions of the ABCA, the *Securities Act* (Alberta) and the *Securities Act* (Ontario);
 - (iii) the Take-over Bid contains, and the take-up and payment for securities tendered or deposited is subject to, an irrevocable and unqualified provision that no Voting Shares of the particular class that is subject to the Take-over Bid will be taken up or paid for pursuant to the Take-over Bid prior to the close of business on the date which is not less than 90 days following the date of the Take-over Bid and only if at such date more than 50% of the Voting Shares held by Independent Shareholders shall have been deposited or tendered pursuant to the Take-over Bid and not withdrawn;
 - (iv) the Take-over Bid contains an irrevocable and unqualified provision that Voting Shares may be deposited pursuant to such Take-over Bid at any time during the period of time between the date of the Take-over Bid and the date on which Voting Shares of the particular class that is subject to the Take-over Bid may be taken up and paid for and that any Voting Shares deposited pursuant to the Take-over Bid may be withdrawn until taken up and paid for;
 - (v) the Take-over Bid contains an irrevocable and unqualified provision that in the event that on the date on which Voting Shares of the particular class that is the subject of the Take-over Bid may be taken up and paid for more than 50% of the Voting Shares held by Independent Shareholders shall have been deposited or tendered pursuant to the Take-over Bid and not withdrawn the Offeror

will make a public announcement of that fact and the Take-over Bid will remain open for deposits and tenders of Voting Shares for not less than 10 Business Days from the date of such public announcement; and

(vi) the offeror undertakes that none of the Offeror, any Affiliate or Associate of the Offeror or any Person acting jointly or in concert with the Offeror or with its Affiliates or Associates will acquire any Voting Shares of any class while such Take-over Bid is outstanding, except acquisitions in accordance with the terms of the Permitted Bid;

provided always that a Permitted Bid shall cease to be a Permitted Bid at the time when such bid ceases to meet any of the provisions of Subsection 1.1 (al) (subject as well to the requirement of Subsection 5.1 (d)) or the undertaking in Clause 1.1 (al)(vi) is contravened, and any acquisitions of Voting Shares of any class theretofore made, shall cease to be a Permitted Bid Acquisition;

(am) “**Permitted Bid Acquisition**” means an acquisition of Voting Shares of any class made pursuant to a Permitted Bid or a Competing Permitted Bid;

(an) “**Person**” includes an individual, firm, body corporate, trust, partnership, syndicate or other form of unincorporated association, a government and its agencies or instrumentalities, any entity or group whether or not having legal personality and any of the foregoing acting in any derivative, representative or fiduciary capacity;

(ao) “**Pro Rata Acquisition**” means an acquisition of Voting Shares of any class as a result of a stock dividend, stock split or other event pursuant to which a Person receives or acquires Voting Shares of any class on the same pro rata basis as all other holders of Voting Shares of the same class but shall not include an acquisition of Voting Shares as a result of a Dividend Reinvestment Acquisition;

(ap) “**Record Time**” has the meaning set forth in the recitals to this Agreement;

(aq) “**Redemption Price**” has the meaning set forth in Subsection 5.1(b) of this Agreement;

(ar) “**Right**” means a right to purchase a Common Share of New NOVA, upon the terms and subject to the conditions set forth in this Agreement;

(as) “**Rights Certificate**” means the certificates representing the Rights after the Separation Time, which shall be substantially in the form attached hereto as Attachment 1;

(at) “**Rights Holders’ Special Meeting**” means a meeting of the holders of Rights called by the Board of Directors for the purpose of approving a supplement or amendment to this Agreement pursuant to Subsection 5.4(c);

(au) “**Rights Register**” has the meaning ascribed thereto in Subsection 2.6(a);

(av) “**Securities Act (Alberta)**” means the *Securities Act*, S.A. 1981, c. S-6.1, as amended, and the regulations thereunder, and any comparable or successor laws or regulations thereto;

(aw) “**Securities Act (Ontario)**” means the *Securities Act*, R.S.O. 1990, c.S.5, as amended, and the regulations thereunder, and any comparable or successor laws or regulations thereto;

(ax) “**Separation Time**” means the close of business on the eighth Trading Day after the earlier of:

(i) the Stock Acquisition Date; and

(ii) the date of the commencement of or first public announcement of the intent of any Person (other than New NOVA or any Subsidiary of New NOVA) to commence a Take-over Bid (other than a Permitted Bid or a Competing Permitted Bid, as the case may be), or such earlier or later time as may be determined by the Board of Directors, provided that, if any Take-over Bid referred to in this Clause (ii) expires, is cancelled, terminated or otherwise withdrawn prior to the Separation Time, such Take-over Bid shall be deemed, for the purposes of this definition, never to have been made;

(ay) “**Special Meeting**” means a special meeting of the holders of Voting Shares, called by the Board of Directors for the purpose of approving a supplement, amendment or variation to this Agreement pursuant to Subsection 5.4(b) or Subsection 5.4(c);

(az) “**Stock Acquisition Date**” means the first date of public announcement (which, for purposes of this definition, shall include, without limitation, a report filed pursuant to section 141 of the *Securities Act* (Alberta), section 101 of the *Securities Act* (Ontario) or Section 13(d) of the U.S. Exchange Act) by New NOVA or an Acquiring Person that an Acquiring Person has become such;

(ba) “**Subsidiary**”: a corporation shall be deemed to be a Subsidiary of another corporation if:

- (i) it is controlled by:
 - (A) that other, or
 - (B) that other and one or more corporations each of which is controlled by that other, or
 - (C) two or more corporations each of which is controlled by that other, or
- (ii) it is a Subsidiary of a corporation that is that other’s Subsidiary;

(bb) “**Take-over Bid**” means an offer to Acquire Voting Shares of any class, or securities convertible into Voting Shares of any class if, assuming that the Voting Shares or convertible securities subject to the offer to Acquire are acquired at the date of such offer to Acquire by the Person making such offer to Acquire, such Voting Shares (including Voting Shares that may be acquired upon conversion of securities convertible into Voting Shares) together with the offeror’s Securities, constitute in the aggregate 20 per cent or more of the outstanding Voting Shares of that particular class at the date of the offer to Acquire;

(bc) “**Trading Day**”, when used with respect to any securities, means a day on which the principal Canadian stock exchange on which such securities are listed or admitted to trading is open for the transaction of business or, if the securities are not listed or admitted to trading on any Canadian stock exchange, a Business Day;

(bd) “**U.S. - Canadian Exchange Rate**” means, on any date:

- (i) if on such date the Bank of Canada sets an average noon spot rate of exchange for the conversion of one United States dollar into Canadian dollars, such rate; and
- (ii) in any other case, the rate for such date for the conversion of one United States dollar into Canadian dollars calculated in such manner as may be determined by the Board of Directors from time to time acting in good faith;

(be) “**U.S. Dollar Equivalent**” of any amount which is expressed in Canadian dollars means, on any date, the United States dollar equivalent of such amount determined by multiplying such amount by the Canadian - U.S. Exchange Rate in effect on such date;

(bf) “**U.S. Exchange Act**” means the United States Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder as now in effect or as the same may from time to time be amended, re-enacted or replaced; and

(bg) “**Voting Shares**” means the Common Shares of New NOVA and any other shares in the capital of New NOVA entitled to vote generally in the election of all elected directors.

1.2 Currency

All sums of money which are referred to in this Agreement are expressed in lawful money of Canada, unless otherwise specified.

1.3 Headings

The division of this Agreement into Articles, Sections, Subsections, Clauses, Paragraphs, Subparagraphs or other portions hereof and the insertion of headings, subheadings and a table of contents are for convenience of reference only and shall not affect the construction or interpretation of this Agreement.

1.4 Calculation of Number and Percentage of Beneficial Ownership of Outstanding Voting Shares

For purposes of this Agreement, the percentage of Voting Shares of any class Beneficially owned by any Person, shall be and be deemed to be the product determined by the formula:

$$100 \times A/B$$

where:

A = the number of votes for the election of all directors generally attaching to the Voting Shares of the particular class Beneficially owned by such Person; and

B = the number of votes for the election of all directors generally attaching to all outstanding Voting Shares of the particular class.

Where any Person is deemed to Beneficially own unissued Voting Shares of a particular class, such Voting Shares shall be deemed to be outstanding for the purpose of calculating the percentage of Voting Shares of the particular class Beneficially owned by such Person.

1.5 Acting Jointly or in Concert

For purposes of this Agreement, whether Persons are acting jointly or in concert is a question of fact in each circumstance, however, a Person shall be deemed to be acting jointly or in concert with another Person if such Person would be deemed to be acting jointly or in concert with such other Person for purposes of section 131.1 of the *Securities Act* (Alberta) or section 91 of the *Securities Act* (Ontario) as it exists on the date hereof.

1.6 Generally Accepted Accounting Principles

Wherever in this Agreement reference is made to generally accepted accounting principles, such reference shall be deemed to be the recommendations at the relevant time of the Canadian Institute of Chartered Accountants, or any successor institute, applicable on a consolidated basis (unless otherwise specifically provided herein to be applicable on an unconsolidated basis) as at the date on which a calculation is made or required to be made in accordance with generally accepted accounting principles. Where the character or amount of any asset or liability or item of revenue or expense is required to be determined, or any consolidation or other accounting computation is required to be made for the purpose of this Agreement or any document, such determination or calculation shall, to the extent applicable and except as otherwise specified herein or as otherwise agreed in writing by the parties, be made in accordance with generally accepted accounting principles applied on a consistent basis.

ARTICLE 2 — THE RIGHTS

2.1 Legend on Common Share Certificates

Certificates for the Common Shares that are issued after the Record Time but prior to the earlier of the Separation Time and the Expiration Time, shall also evidence one Right for each Common Share represented thereby and shall have impressed on, printed on, written on or otherwise affixed to them the following legend:

Until the Separation Time (defined in the Shareholder Rights Plan Agreement referred to below), this certificate also evidences rights of the holder described in a Shareholder Rights Plan Agreement, dated as of May 6, 1994 (the “Shareholder Rights Plan Agreement”), between NOVA Corporation and The R-M Trust Company, the terms of which are incorporated herein by reference and a copy of which is on file at the principal executive offices of NOVA Corporation. Under certain circumstances set out in the Shareholder Rights Plan Agreement, the rights may expire, may become null and void or may be evidenced by separate certificates and no longer evidenced by this certificate. NOVA Corporation will mail or arrange for the mailing of a copy of the Shareholder Rights Plan Agreement to the holder of this certificate without charge as soon as practicable after the receipt of a written request therefor.

Certificates representing Common Shares that are issued and outstanding at the Record Time, including certificates representing NOVA Common Shares, which as at the Effective Date represent Common Shares, shall also evidence one Right for each Common Share evidenced thereby, notwithstanding the absence of the foregoing legend, until the close of business on the earlier of the Separation Time and the Expiration Time.

2.2 Initial Exercise Price; Exercise of Rights; Detachment of Rights

- (a) Subject to adjustment as herein set forth, each Right will entitle the holder thereof, from and after the Separation Time and prior to the Expiration Time, to purchase one Common Share for the Exercise Price (and the Exercise Price and number of Common Shares are subject to adjustment as set forth below). Notwithstanding any other provision of this Agreement, any Rights held by New NOVA or any of its Subsidiaries shall be void.
- (b) Until the Separation Time,
 - (i) the Rights shall not be exercisable and no Right may be exercised; and
 - (ii) each Right will be evidenced by the certificate for the associated Common Share of New NOVA registered in the name of the holder thereof (which certificate shall also be deemed to represent a Rights Certificate) and will be transferable only together with, and will be transferred by a transfer of, such associated Common Share of New NOVA.
- (c) From and after the Separation Time and prior to the Expiration Time:
 - (i) the Rights shall be exercisable; and
 - (ii) the registration and transfer of Rights shall be separate from and independent of Common Shares of New NOVA.

Promptly following the Separation Time, New NOVA will prepare and the Rights Agent will mail to each holder of record of Common Shares as of the Separation Time (other than an Acquiring Person and, in respect of any Rights Beneficially owned by such Acquiring Person which are not held of record by such Acquiring Person, the holder of record of such Rights (a “Nominee”)), at such holder’s address as shown by the records of New NOVA (New NOVA hereby agreeing to furnish copies of such records to the Rights Agent for this purpose):

- (x) a Rights Certificate appropriately completed, representing the number of Rights held by such holder at the Separation Time and having such marks of identification or designation and such legends, summaries or endorsements printed thereon as New NOVA may deem appropriate and as are not inconsistent with the provisions of this Agreement, or as may be required to comply with any law, rule or regulation or with any rule or regulation of any self-regulatory organization, stock exchange or quotation system on which the Rights may from time to time be listed or traded, or to conform to usage; and
- (y) a disclosure statement describing the Rights,

provided that a Nominee shall be sent the materials provided for in (x) and (y) in respect of all Common Shares of New NOVA held of record by it which are not Beneficially owned by an Acquiring Person.

- (d) Rights may be exercised, in whole or in part, on any Business Day after the Separation Time and prior to the Expiration Time by submitting to the Rights Agent:
 - (i) the Rights Certificate evidencing such Rights;
 - (ii) an election to exercise such Rights (an “Election to Exercise”) substantially in the form attached to the Rights Certificate appropriately completed and executed by the holder or his executors or administrators or other personal representatives or his or their legal attorney duly appointed by an instrument in writing in form and executed in a manner satisfactory to the Rights Agent; and
 - (iii) payment by certified cheque, banker’s draft or money order payable to the order of New NOVA, of a sum equal to the Exercise Price multiplied by the number of Rights being exercised and a sum sufficient to cover any transfer tax or charge which may be payable in respect of any transfer involved in the transfer or delivery of Rights Certificates or the issuance or delivery of certificates for Common Shares in a name other than that of the holder of the Rights being exercised.

- (e) Upon receipt of a Rights Certificate, together with a completed Election to Exercise executed in accordance with Clause 2.2(d)(ii), which does not indicate that such Right is null and void as provided by Subsection 3.1(b), and payment as set forth in Clause 2.2(d)(iii), the Rights Agent (unless otherwise instructed by New NOVA in the event that New NOVA is of the opinion that the Rights cannot be exercised in accordance with this Agreement) will thereupon promptly:
 - (i) requisition from the transfer agent certificates representing the number of such Common Shares to be purchased (New NOVA hereby irrevocably authorizing its transfer agents to comply with all such requisitions);
 - (ii) when appropriate, requisition from New NOVA the amount of cash to be paid in lieu of issuing fractional Common Shares;
 - (iii) after receipt of the certificates referred to in Clause 2.2(e)(i), deliver the same to or upon the order of the registered holder of such Rights Certificates, registered in such name or names as may be designated by such holder; and
 - (iv) when appropriate, after receipt, deliver the cash referred to in Clause 2.2(e)(ii) to or to the order of the registered holder of such Rights Certificate.
- (f) In case the holder of any Rights shall exercise less than all the Rights evidenced by such holder's Rights Certificate, a new Rights Certificate evidencing the Rights remaining unexercised (subject to the provisions of Subsection 5.5(a)) will be issued by the Rights Agent to such holder or to such holder's duly authorized assigns.
- (g) New NOVA covenants and agrees that it will:
 - (i) take all such action as may be necessary and within its power to ensure that all Common Shares delivered upon exercise of Rights shall, at the time of delivery of the certificates for such Common Shares (subject to payment of the Exercise Price), be duly and validly authorized, executed, issued and delivered and fully paid and non-assessable;
 - (ii) take all such action as may be necessary and within its power to comply with the requirements of the ABCA, the *Securities Act (Alberta)*, the *Securities Act (Ontario)*, and the securities laws or comparable legislation of each of the provinces of Canada and any other applicable law, rule or regulation, in connection with the issuance and delivery of the Rights Certificates and the issuance of any Common Shares upon exercise of Rights;
 - (iii) use reasonable efforts to cause all Common Shares issued upon exercise of Rights to be listed on the principal stock exchanges on which such Common Shares were traded immediately prior to the Stock Acquisition Date;
 - (iv) cause to be reserved and kept available out of the authorized and unissued Common Shares, the number of Common Shares that, as provided in this Agreement, will from time to time be sufficient to permit the exercise in full of all outstanding Rights;
 - (v) pay when due and payable, if applicable, any and all federal, provincial and municipal transfer taxes and charges (not including any income or capital taxes of the holder or exercising holder or any liability of New NOVA to withhold tax) which may be payable in respect of the original issuance or delivery of the Rights Certificates, or certificates for Common Shares, provided that New NOVA shall not be required to pay any transfer tax or charge which may be payable in respect of any transfer involved in the transfer or delivery of Rights Certificates or the issuance or delivery of certificates for Common Shares in a name other than that of the holder of the Rights being transferred or exercised; and
 - (vi) after the Separation Time, except as permitted by Section 5.1, not take (or permit any Subsidiary to take) any action if at the time such action is taken it is reasonably foreseeable that such action will diminish substantially or otherwise eliminate the benefits intended to be afforded by the Rights.

2.3 Adjustments to Exercise Price; Number of Rights

The Exercise Price, the number and kind of securities subject to purchase upon exercise of each Right and the number of Rights outstanding are subject to adjustment from time to time as provided in this Section 2.3.

- (a) In the event New NOVA shall at any time after the date of this Agreement:
 - (i) declare or pay a dividend on Common Shares payable in Common Shares (or other securities exchangeable for or convertible into or giving a right to acquire Common Shares or other securities of New NOVA) other than pursuant to any optional stock dividend program;
 - (ii) subdivide or change the then outstanding Common Shares into a greater number of Common Shares;
 - (iii) consolidate or change the then outstanding Common Shares into a smaller number of Common Shares; or
 - (iv) issue any Common Shares (or other securities exchangeable for or convertible into or giving a right to acquire Common Shares or other securities of New NOVA) in respect of, in lieu of or in exchange for existing Common Shares except as otherwise provided in this Section 2.3,

the Exercise Price and the number of Rights outstanding, or, if the payment or effective date therefor shall occur after the Separation Time, the securities purchasable upon exercise of Rights shall be adjusted as of the payment or effective date in the manner set forth below.

If the Exercise Price and number of Rights outstanding are to be adjusted:

- (x) the Exercise Price in effect after such adjustment will be equal to the Exercise Price in effect immediately prior to such adjustment divided by the number of Common Shares (or other capital stock) (the "Expansion Factor") that a holder of one Common Share immediately prior to such dividend, subdivision, change, consolidation or issuance would hold thereafter as a result thereof; and
- (y) each Right held prior to such adjustment will become that number of Rights equal to the Expansion Factor,

and the adjusted number of Rights will be deemed to be distributed among the Common Shares with respect to which the original Rights were associated (if they remain outstanding) and the shares issued in respect of such dividend, subdivision, change, consolidation or issuance, so that each such Common Share (or other capital stock) will have exactly one Right associated with it.

For greater certainty, if the securities purchasable upon exercise of Rights are to be adjusted, the securities purchasable upon exercise of each Right after such adjustment will be the securities that a holder of the securities purchasable upon exercise of one Right immediately prior to such dividend, subdivision, change, consolidation or issuance would hold thereafter as a result of such dividend, subdivision, change, consolidation or issuance.

If, after the Record Time and prior to the Expiration Time, New NOVA shall issue any shares of capital stock other than Common Shares in a transaction of a type described in Clause 2.3(a)(i) or (iv), shares of such capital stock shall be treated herein as nearly equivalent to Common Shares as may be practicable and appropriate under the circumstances and New NOVA and the Rights Agent agree to amend this Agreement in order to effect such treatment.

In the event New NOVA shall at any time after the Record Time and prior to the Separation Time issue any Common Shares otherwise than in a transaction referred to in this Subsection 2.3(a), each such Common Share so issued shall automatically have one new Right associated with it, which Right shall be evidenced by the certificate representing such associated Common Share.

- (b) In the event New NOVA shall at any time after the Record Time and prior to the Separation Time fix a record date for the issuance of rights, options or warrants to all holders of Common Shares entitling them (for a period expiring within 45 calendar days after such record date) to subscribe for or purchase Common Shares (or securities convertible into or exchangeable for or carrying a right to purchase Common Shares) at a price per Common Share (or, if a security convertible into or exchangeable for or carrying a right to purchase or subscribe for Common Shares, having a conversion, exchange or exercise price, including the price required to be paid to purchase such convertible or exchangeable security or right

per share) less than the Market Price per Common Share on such record date, the Exercise Price to be in effect after such record date shall be determined by multiplying the Exercise Price in effect immediately prior to such record date by a fraction:

- (i) the numerator of which shall be the number of Common Shares outstanding on such record date, plus the number of Common Shares that the aggregate offering price of the total number of Common Shares so to be offered (and/or the aggregate initial conversion, exchange or exercise price of the convertible or exchangeable securities or rights so to be offered, including the price required to be paid to purchase such convertible or exchangeable securities or rights) would purchase at such Market Price per Common Share; and
- (ii) the denominator of which shall be the number of Common Shares outstanding on such record date, plus the number of additional Common Shares to be offered for subscription or purchase (or into which the convertible or exchangeable securities or rights so to be offered are initially convertible, exchangeable or exercisable).

In case such subscription price may be paid by delivery of consideration, part or all of which may be in a form other than cash, the value of such consideration shall be as determined in good faith by the Board of Directors, whose determination shall be described in a statement filed with the Rights Agent and shall be binding on the Rights Agent and the holders of Rights. Such adjustment shall be made successively whenever such a record date is fixed, and in the event that such rights, options or warrants are not so issued, or if issued, are not exercised prior to the expiration thereof, the Exercise Price shall be readjusted to the Exercise Price which would then be in effect if such record date had not been fixed, or to the Exercise Price which would be in effect based upon the number of Common Shares (or securities convertible into, or exchangeable or exercisable for Common Shares) actually issued upon the exercise of such rights, options or warrants, as the case may be.

For purposes of this Agreement, the granting of the right to purchase Common Shares (whether from treasury or otherwise) pursuant to the Dividend Reinvestment Plan or any employee benefit, stock option or similar plans shall be deemed not to constitute an issue of rights, options or warrants by New NOVA; provided, however, that, in all such cases, the right to purchase Common Shares is at a price per share of not less than 95% of the current market price per share (determined as provided in such plans) of the Common Shares.

- (c) In the event New NOVA shall at any time after the Record Time and prior to the Separation Time fix a record date for the making of a distribution to all holders of Common Shares (including any such distribution made in connection with a merger or amalgamation) of evidences of indebtedness, cash (other than an annual cash dividend or a dividend paid in Common Shares, but including any dividend payable in securities other than Common Shares), assets or rights, options or warrants (excluding those referred to in Subsection 2.3(b) hereof), the Exercise Price to be in effect after such record date shall be determined by multiplying the Exercise Price in effect immediately prior to such record date by a fraction:

- (i) the numerator of which shall be the Market Price per Common Share on such record date, less the fair market value (as determined in good faith by the Board of Directors, whose determination shall be described in a statement filed with the Rights Agent and shall be binding on the Rights Agent and the holders of Rights), on a per share basis, of the portion of the cash, assets, evidences of indebtedness, rights, options or warrants so to be distributed; and
 - (ii) the denominator of which shall be such Market Price per Common Share.

Such adjustments shall be made successively whenever such a record date is fixed, and in the event that such a distribution is not so made, the Exercise Price shall be adjusted to be the Exercise Price which would have been in effect if such record date had not been fixed.

- (d) Notwithstanding anything herein to the contrary, no adjustment in the Exercise Price shall be required unless such adjustment would require an increase or decrease of at least 1% in the Exercise Price; provided, however, that any adjustments which by reason of this Subsection 2.3(d) are not required to be made shall be carried forward and taken into account in any subsequent adjustment. All calculations under Section 2.3 shall be made to the nearest cent or to the nearest ten-thousandth of a share. Notwithstanding

the first sentence of Subsection 2.3(d), any adjustment required by Section 2.3 shall be made no later than the earlier of:

- (i) three years from the date of the transaction which gives rise to such adjustment; or
- (ii) the Expiration Date.

(e) In the event New NOVA shall at any time after the Record Time and prior to the Separation Time issue any shares of capital stock (other than Common Shares), or rights, options or warrants to subscribe for or purchase any such capital stock, or securities convertible into or exchangeable for any such capital stock in a transaction referred to in Clauses 2.3(a)(i) to (iv) above, if the Board of Directors acting in good faith determines that the adjustments contemplated by Subsections 2.3(a), (b) and (c) above in connection with such transaction will not appropriately protect the interests of the holders of Rights, the Board of Directors may determine what other adjustments to the Exercise Price, number of Rights and/or securities purchasable upon exercise of Rights would be appropriate and, notwithstanding Subsections 2.3(a), (b) and (c) above, such adjustments, rather than the adjustments contemplated by Subsections 2.3(a), (b) and (c) above, shall be made. New NOVA and the Rights Agent shall have authority without the approval of the holders of the Common Shares or the holders of Rights to amend this Agreement as appropriate to provide for such adjustments.

(f) Each Right originally issued by New NOVA subsequent to any adjustment made to the Exercise Price hereunder shall evidence the right to purchase, at the adjusted Exercise Price, the number of Common Shares purchasable from time to time hereunder upon exercise of a Right immediately prior to such issue, all subject to further adjustment as provided herein.

(g) Irrespective of any adjustment or change in the Exercise Price or the number of Common Shares issuable upon the exercise of the Rights, the Rights Certificates theretofore and thereafter issued may continue to express the Exercise Price per Common Share and the number of Common Shares which were expressed in the initial Rights Certificates issued hereunder.

(h) In any case in which this Section 2.3 shall require that an adjustment in the Exercise Price be made effective as of a record date for a specified event, New NOVA may elect to defer until the occurrence of such event the issuance to the holder of any Right exercised after such record date the number of Common Shares and other securities of New NOVA, if any, issuable upon such exercise over and above the number of Common Shares and other securities of New NOVA, if any, issuable upon such exercise on the basis of the Exercise Price in effect prior to such adjustment; provided, however, that New NOVA shall deliver to such holder an appropriate instrument evidencing such holder's right to receive such additional shares (fractional or otherwise) or other securities upon the occurrence of the event requiring such adjustment.

(i) Notwithstanding anything contained in this Section 2.3 to the contrary, New NOVA shall be entitled to make such reductions in the Exercise Price, in addition to those adjustments expressly required by this Section 2.3, as and to the extent that in their good faith judgment the Board of Directors shall determine to be advisable, in order that any:

- (i) consolidation or subdivision of Common Shares;
- (ii) issuance (wholly or in part for cash) of Common Shares or securities that by their terms are convertible into or exchangeable for Common Shares;
- (iii) stock dividends; or
- (iv) issuance of rights, options or warrants referred to in this Section 2.3,

hereafter made by New NOVA to holders of its Common Shares, shall not be taxable to such shareholders.

2.4 Date on Which Exercise Is Effective

Each Person in whose name any certificate for Common Shares or other securities, if applicable, is issued upon the exercise of Rights shall for all purposes be deemed to have become the holder of record of the Common Shares or other securities, if applicable, represented thereon, and such certificate shall be dated the date upon

which the Rights Certificate evidencing such Rights was duly surrendered in accordance with Subsection 2.2(d) (together with a duly completed Election to Exercise) and payment of the Exercise Price for such Rights (and any applicable transfer taxes and other governmental charges payable by the exercising holder hereunder) was made; provided, however, that if the date of such surrender and payment is a date upon which the Common Share transfer books of New NOVA are closed, such Person shall be deemed to have become the record holder of such shares on, and such certificate shall be dated, the next succeeding Business Day on which the Common Share transfer books of New NOVA are open.

2.5 Execution, Authentication, Delivery and Dating of Rights Certificates

- (a) The Rights Certificates shall be executed on behalf of New NOVA by its Chairman of the Board, President or any of its Vice Presidents and by its Secretary or one of its Assistant Secretaries under the corporate seal of New NOVA reproduced thereon. The signature of any of these officers on the Rights Certificates may be manual or facsimile. Rights Certificates bearing the manual or facsimile signatures of individuals who were at any time the proper officers of New NOVA shall bind New NOVA, notwithstanding that such individuals or any of them have ceased to hold such offices either before or after the countersignature and delivery of such Rights Certificates.
- (b) Promptly after New NOVA learns of the Separation Time, New NOVA will notify the Rights Agent of such Separation Time and will deliver Rights Certificates executed by New NOVA to the Rights Agent for countersignature, and the Rights Agent shall countersign (in a manner satisfactory to New NOVA) and send such Rights Certificates to the holders of the Rights pursuant to Subsection 2.2(c) hereof. No Rights Certificate shall be valid for any purpose until countersigned by the Rights Agent as aforesaid.
- (c) Each Rights Certificate shall be dated the date of countersignature thereof.

2.6 Registration, Transfer and Exchange

- (a) New NOVA will cause to be kept a register (the "Rights Register") in which, subject to such reasonable regulations as it may prescribe, New NOVA will provide for the registration and transfer of Rights. The Rights Agent is hereby appointed registrar for the Rights (the "Rights Registrar") for the purpose of maintaining the Rights Register for New NOVA and registering Rights and transfers of Rights as herein provided and the Rights Agent hereby accepts such appointment. In the event that the Rights Agent shall cease to be the Rights Registrar, the Rights Agent will have the right to examine the Rights Register at all reasonable times.

After the Separation Time and prior to the Expiration Time, upon surrender for registration of transfer or exchange of any Rights Certificate, and subject to the provisions of Subsection 2.6(c), New NOVA will execute, and the Rights Agent will manually countersign and deliver, in the name of the holder or the designated transferee or transferees, as required pursuant to the holder's instructions, one or more new Rights Certificates evidencing the same aggregate number of Rights as did the Rights Certificates so surrendered.

- (b) All Rights issued upon any registration of transfer or exchange of Rights Certificates shall be the valid obligations of New NOVA, and such Rights shall be entitled to the same benefits under this Agreement as the Rights surrendered upon such registration of transfer or exchange.
- (c) Every Rights Certificate surrendered for registration of transfer or exchange shall be duly endorsed, or be accompanied by a written instrument of transfer in form satisfactory to New NOVA or the Rights Agent, as the case may be, duly executed by the holder thereof or such holder's attorney duly authorized in writing. As a condition to the issuance of any new Rights Certificate under this Section 2.6, New NOVA may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses (including the reasonable fees and expenses of the Rights Agent) connected therewith.

2.7 Mutilated, Destroyed, Lost and Stolen Rights Certificates

- (a) If any mutilated Rights Certificate is surrendered to the Rights Agent prior to the Expiration Time, New NOVA shall execute and the Rights Agent shall countersign and deliver in exchange therefor a new Rights Certificate evidencing the same number of Rights as did the Rights Certificate so surrendered.
- (b) If there shall be delivered to New NOVA and the Rights Agent prior to the Expiration Time:
 - (i) evidence to their reasonable satisfaction of the destruction, loss or theft of any Rights Certificate; and
 - (ii) such security or indemnity as may be reasonably required by them to save each of them and any of their agents harmless, then, in the absence of notice to New NOVA or the Rights Agent that such Rights Certificate has been acquired by a *bona fide* purchaser, New NOVA shall execute and upon New NOVA's request the Rights Agent shall countersign and deliver, in lieu of any such destroyed, lost or stolen Rights Certificate, a new Rights Certificate evidencing the same number of Rights as did the Rights Certificate so destroyed, lost or stolen.
- (c) As a condition to the issuance of any new Rights Certificate under Section 2.7, New NOVA may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses (including the reasonable fees and expenses of the Rights Agent) connected therewith.
- (d) Every new Rights Certificate issued pursuant to Section 2.7 in lieu of any destroyed, lost or stolen Rights Certificate shall evidence the contractual obligation of New NOVA, whether or not the destroyed, lost or stolen Rights Certificate shall be at any time enforceable by anyone, and shall be entitled to all the benefits of this Agreement equally and proportionately with any and all other Rights duly issued hereunder.

2.8 Persons Deemed Owners of Rights

New NOVA, the Rights Agent and any agent of New NOVA or the Rights Agent may deem and treat the Person in whose name a Rights Certificate (or, prior to the Separation Time, the associated Common Share certificate) is registered as the absolute owner thereof and of the Rights evidenced thereby for all purposes whatsoever. As used in this Agreement, unless the context otherwise requires, the term "holder" of any Rights shall mean the registered holder of such Rights (or, prior to the Separation Time, of the associated Common Share).

2.9 Delivery and Cancellation of Certificates

All Rights Certificates surrendered upon exercise or for redemption, registration of transfer or exchange shall, if surrendered to any Person other than the Rights Agent, be delivered to the Rights Agent and, in any case, shall be promptly cancelled by the Rights Agent. New NOVA may at any time deliver to the Rights Agent for cancellation any Rights Certificates previously countersigned and delivered hereunder which New NOVA may have acquired in any manner whatsoever, and all Rights Certificates so delivered shall be promptly cancelled by the Rights Agent. No Rights Certificate shall be countersigned in lieu of or in exchange for any Rights Certificates cancelled as provided in Section 2.9, except as expressly permitted by this Agreement. The Rights Agent shall, subject to applicable laws, destroy all cancelled Rights Certificates and deliver a certificate of destruction to New NOVA.

2.10 Agreement of Rights Holders

Every holder of Rights, by accepting the same, consents and agrees with New NOVA and the Rights Agent and with every other holder of Rights:

- (a) to be bound by and subject to the provisions of this Agreement, as amended from time to time in accordance with the terms hereof, in respect of all Rights held;
- (b) that prior to the Separation Time, each Right will be transferable only together with, and will be transferred by a transfer of, the associated Common Share certificate representing such Right;
- (c) that after the Separation Time, the Rights Certificates will be transferable only on the Rights Register as provided herein;

- (d) that prior to due presentment of a Rights Certificate (or, prior to the Separation Time, the associated Common Share certificate) for registration of transfer, New NOVA, the Rights Agent and any agent of New NOVA or the Rights Agent may deem and treat the Person in whose name the Rights Certificate (or, prior to the Separation Time, the associated Common Share certificate) is registered as the absolute owner thereof and of the Rights evidenced thereby (notwithstanding any notations of ownership or writing on such Rights Certificate or the associated Common Share certificate made by anyone other than New NOVA or the Rights Agent) for all purposes whatsoever, and neither New NOVA nor the Rights Agent shall be affected by any notice to the contrary;
- (e) that such holder of Rights has waived his right to receive any fractional Rights or any fractional shares or other securities upon exercise of a Right (except as provided herein); and
- (f) that without the approval of any holder of Rights or Voting Shares and upon the sole authority of the Board of Directors, this Agreement may be supplemented or amended from time to time to cure any ambiguity or to correct or supplement any provision contained herein which may be inconsistent with the intent of this Agreement or is otherwise defective, as provided herein.

2.11 Rights Certificate Holder Not Deemed a Shareholder

No holder, as such, of any Rights or Rights Certificate shall be entitled to vote, receive dividends or be deemed for any purpose whatsoever the holder of any Common Share or any other share or security of New NOVA which may at any time be issuable on the exercise of the Rights represented thereby, nor shall anything contained herein or in any Rights Certificate be construed or deemed or confer upon the holder of any Right or Rights Certificate, as such, any right, title, benefit or privilege of a holder of Common Shares or any other shares or securities of New NOVA or any right to vote at any meeting of shareholders of New NOVA whether for the election of directors or otherwise or upon any matter submitted to holders of Common Shares or any other shares of New NOVA at any meeting thereof, or to give or withhold consent to any action of New NOVA, or to receive notice of any meeting or other action affecting any holder of Common Shares or any other shares of New NOVA except as expressly provided herein, or to receive dividends, distributions or subscription rights, or otherwise, until the Right or Rights evidenced by Rights Certificates shall have been duly exercised in accordance with the terms and provisions hereof.

ARTICLE 3 — ADJUSTMENTS TO THE RIGHTS IN THE EVENT OF CERTAIN TRANSACTIONS

3.1 Flip-in Event

- (a) Subject to Subsection 3.1 (b) and Section 5.1, in the event that prior to the Expiration Time a Flip-in Event shall occur, each Right shall constitute, effective at the close of business on the eighth Trading Day after the Stock Acquisition Date, the right to purchase from New NOVA, upon exercise thereof in accordance with the terms hereof, that number of Common Shares having an aggregate Market Price on the date of consummation or occurrence of such Flip-in Event equal to twice the Exercise Price for an amount in cash equal to the Exercise Price (such right to be appropriately adjusted in a manner analogous to the applicable adjustment provided for in Section 2.3 in the event that after the consummation or occurrence or event, an event of a type analogous to any of the events described in Section 2.3 shall have occurred with respect to those Common Shares).
- (b) Notwithstanding anything in this Agreement to the contrary, upon the occurrence of any Flip-in Event, any Rights that are or were Beneficially owned on or after the earlier of the Separation Time or the Stock Acquisition Date by:
 - (i) an Acquiring Person (or any Affiliate or Associate of an Acquiring Person or any Person acting jointly or in concert with an Acquiring Person or any Affiliate or Associate of an Acquiring Person); or
 - (ii) a transferee of Rights, directly or indirectly, from an Acquiring Person (or any Affiliate or Associate of an Acquiring Person or any Person acting jointly or in concert with an Acquiring Person or any Affiliate or Associate of an Acquiring Person), where such transferee becomes a transferee concurrently with or subsequent to the Acquiring Person becoming such in a transfer that the Board

of Directors has determined is part of a plan, arrangement or scheme of an Acquiring Person (or any Affiliate or Associate of an Acquiring Person or any Person acting jointly or in concert with an Acquiring Person or any Associate or Affiliate of an Acquiring Person), that has the purpose or effect of avoiding Clause 3.1(b)(i),

shall become null and void without any further action, and any holder of such Rights (including transferees) shall thereafter have no right to exercise such Rights under any provision of this Agreement and further shall thereafter not have any other rights whatsoever with respect to such Rights, whether under any provision of this Agreement or otherwise.

- (c) From and after the Separation Time, New NOVA shall do all such acts and things as shall be necessary and within its power to ensure compliance with the provisions of Section 3.1, including without limitation, all such acts and things as may be required to satisfy the requirements of the ABCA, the *Securities Act* (Alberta), the *Securities Act* (Ontario) and the securities laws or comparable legislation in each of the provinces of Canada in respect of the issue of Common Shares upon the exercise of Rights in accordance with this Agreement.
- (d) Any Rights Certificate that represents Rights Beneficially owned by a Person described in either Clause 3.1(b)(i) or (ii) or transferred to any nominee of any such Person, and any Rights Certificate issued upon transfer, exchange, replacement or adjustment of any other Rights Certificate referred to in this sentence, shall contain the following legend:

The Rights represented by this Rights Certificate were issued to a Person who was an Acquiring Person or an Affiliate or an Associate of an Acquiring Person (as such terms are defined in the Shareholder Rights Plan Agreement) or a Person who was acting jointly or in concert with an Acquiring Person or an Affiliate or Associate of an Acquiring Person. This Rights Certificate and the Rights represented hereby are void or shall become void in the circumstances specified in Subsection 3.1(b) of the Shareholder Rights Plan Agreement.

Provided, however, that the Rights Agent shall not be under any responsibility to ascertain the existence of facts that would require the imposition of such legend but shall impose such legend only if instructed to do so by New NOVA in writing or if a holder fails to certify upon transfer or exchange in the space provided on the Rights Certificate that such holder is not a Person described in such legend.

ARTICLE 4 — THE RIGHTS AGENT

4.1 General

- (a) New NOVA hereby appoints the Rights Agent to act as agent for New NOVA and the holders of the Rights in accordance with the terms and conditions hereof, and the Rights Agent hereby accepts such appointment. New NOVA may from time to time appoint such co-Rights Agents (“Co-Rights Agents”) as it may deem necessary or desirable. In the event New NOVA appoints one or more Co-Rights Agents, the respective duties of the Rights Agent and Co-Rights Agents shall be as New NOVA may determine. New NOVA also agrees to indemnify the Rights Agent for, and to hold it harmless against, any loss, liability, or expense, incurred without negligence, bad faith or wilful misconduct on the part of the Rights Agent, for anything done or omitted by the Rights Agent in connection with the acceptance and administration of this Agreement, including the costs and expenses of defending against any claim of liability, which right to indemnification will survive the termination of this Agreement.
- (b) The Rights Agent shall be protected and shall incur no liability for or in respect of any action taken, suffered or omitted by it in connection with its administration of this Agreement in reliance upon any certificate for Common Shares, Rights Certificate, certificate for other securities of New NOVA, instrument of assignment or transfer, power of attorney, endorsement, affidavit, letter, notice, direction, consent, certificate, statement, or other paper or document believed by it to be genuine and to be signed, executed and, where necessary, verified or acknowledged, by the proper Person or Persons.

4.2 Merger, Amalgamation or Consolidation or Change of Name of Rights Agent

- (a) Any corporation into which the Rights Agent may be merged or amalgamated or with which it may be consolidated, or any corporation resulting from any merger, amalgamation, statutory arrangement or consolidation to which the Rights Agent is a party, or any corporation succeeding to the shareholder or stockholder services business of the Rights Agent, will be the successor to the Rights Agent under this Agreement without the execution or filing of any paper or any further act on the part of any of the parties hereto, provided that such corporation would be eligible for appointment as a successor Rights Agent under the provisions of Section 4.4 hereof. In case at the time such successor Rights Agent succeeds to the agency created by this Agreement any of the Rights Certificates have been countersigned but not delivered, any successor Rights Agent may adopt the countersignature of the predecessor Rights Agent and deliver such Rights Certificates so countersigned; and in case at that time any of the Rights have not been countersigned, any successor Rights Agent may countersign such Rights Certificates in the name of the predecessor Rights Agent or in the name of the successor Rights Agent; and in all such cases such Rights Certificates will have the full force provided in the Rights Certificates and in this Agreement.
- (b) In case at any time the name of the Rights Agent is changed and at such time any of the Rights Certificates shall have been countersigned but not delivered, the Rights Agent may adopt the countersignature under its prior name and deliver Rights Certificates so countersigned; and in case at that time any of the Right Certificates shall not have been countersigned, the Rights Agent may countersign such Rights Certificates either in its prior name or in its changed name; and in all such cases such Right Certificates shall have the full force provided in the Right Certificates and in this Agreement.

4.3 Duties of Rights Agent

The Rights Agent undertakes the duties and obligations imposed by this Agreement upon the following terms and conditions, all of which New NOVA and the holders of certificates for Common Shares and Rights Certificates, by their acceptance thereof, shall be bound:

- (a) The Rights Agent may consult with legal counsel (who may be legal counsel for New NOVA) and the opinion of such counsel will be full and complete authorization and protection to the Rights Agent as to any action taken or omitted by it in good faith and in accordance with such opinion;
- (b) Whenever in the performance of its duties under this Agreement, the Rights Agent deems it necessary or desirable that any fact or matter be proved or established by New NOVA prior to taking or suffering any action hereunder, such fact or matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a certificate signed by a Person believed by the Rights Agent to be the Chairman of the Board, President, any Vice President, Treasurer, Secretary, or any Assistant Secretary of New NOVA and delivered to the Rights Agent; and such certificate will be full authorization to the Rights Agent for any action taken or suffered in good faith by it under the provisions of this Agreement in reliance upon such certificate;
- (c) The Rights Agent will be liable hereunder for its own negligence, bad faith or wilful misconduct;
- (d) The Rights Agent will not be liable for or by reason of any of the statements of fact or recitals contained in this Agreement or in the certificates for Common Shares or the Rights Certificates (except its countersignature thereof) or be required to verify the same, but all such statements and recitals are and will be deemed to have been made by New NOVA only;
- (e) The Rights Agent will not be under any responsibility in respect of the validity of this Agreement or the execution and delivery hereof (except the due authorization, execution and delivery hereof by the Rights Agent) or in respect of the validity or execution of any certificate for a Common Share or Rights Certificate (except its countersignature thereof); nor will it be responsible for any breach by New NOVA of any covenant or condition contained in this Agreement or in any Rights Certificate; nor will it be responsible for any change in the exerciseability of the Rights (including the Rights becoming void pursuant to Subsection 3.1(b) hereof) or any adjustment required under the provisions of Section 2.3 hereof or responsible for the manner, method or amount of any such adjustment or the ascertaining of the existence of facts that would require any such adjustment (except with respect to the exercise of Rights after receipt of the certificate contemplated by Section 2.3 describing any such adjustment);

nor will it by any act hereunder be deemed to make any representation or warranty as to the authorization of any Common Shares to be issued pursuant to this Agreement or any Rights or as to whether any Common Shares will, when issued, be duly and validly authorized, executed, issued and delivered and fully paid and non-assessable;

- (f) New NOVA agrees that it will perform, execute, acknowledge and deliver or cause to be performed, executed, acknowledged and delivered all such further and other acts, instruments and assurances as may reasonably be required by the Rights Agent for the carrying out or performing by the Rights Agent of the provisions of this Agreement;
- (g) The Rights Agent is hereby authorized and directed to accept instructions in writing with respect to the performance of its duties hereunder from any individual believed by the Rights Agent to be the Chairman of the Board, President, any Vice President, Treasurer, Secretary or any Assistant Secretary of New NOVA, and to apply to such individuals for advice or instructions in connection with its duties, and it shall not be liable for any action taken or suffered by it in good faith in accordance with instructions of any such individual;
- (h) The Rights Agent and any shareholder or stockholder, director, officer or employee of the Rights Agent may buy, sell or deal in Common Shares, Rights or other securities of New NOVA or become pecuniarily interested in any transaction in which New NOVA may be interested, or contract with or lend money to New NOVA or otherwise act as fully and freely as though it were not the Rights Agent under this Agreement. Nothing herein shall preclude the Rights Agent from acting in any other capacity for New NOVA or NOVA or for any other legal entity; and
- (i) The Rights Agent may execute and exercise any of the rights or powers hereby vested in it or perform any duty hereunder either itself or by or through its attorneys or agents, and the Rights Agent will not be answerable or accountable for any act, default, neglect or misconduct of any such attorneys or agents or for any loss to New NOVA resulting from any such act, default, neglect or misconduct, provided reasonable care was exercised in the selection and continued employment thereof.

4.4 Change of Rights Agent

The Rights Agent may resign and be discharged from its duties under this Agreement upon 90 days' notice (or such lesser notice as is acceptable to New NOVA) in writing mailed to New NOVA and to each transfer agent of Common Shares by registered or certified mail. New NOVA may remove the Rights Agent upon 30 days' notice in writing, mailed to the Rights Agent and to each transfer agent of the Common Shares by registered or certified mail. If the Rights Agent should resign or be removed or otherwise become incapable of acting, New NOVA will appoint a successor to the Rights Agent. If New NOVA fails to make such appointment within a period of 30 days after such removal or after it has been notified in writing of such resignation or incapacity by the resigning or incapacitated Rights Agent, then by prior written notice to New NOVA the resigning Rights Agent or the holder of any Rights (which holder shall, with such notice, submit such holder's Rights Certificate, if any, for inspection by New NOVA), may apply to any court of competent jurisdiction for the appointment of a new Rights Agent. Any successor Rights Agent, whether appointed by New NOVA or by such a court, shall be a corporation incorporated under the laws of Canada or a province thereof authorized to carry on the business of a trust company in the Province of Alberta. After appointment, the successor Rights Agent will be vested with the same powers, rights, duties and responsibilities as if it had been originally named as Rights Agent without further act or deed; but the predecessor Rights Agent shall deliver and transfer to the successor Rights Agent any property at the time held by it hereunder, and execute and deliver any further assurance, conveyance, act or deed necessary for the purpose. Not later than the effective date of any such appointment, New NOVA will file notice thereof in writing with the predecessor Rights Agent and each transfer agent of the Common Shares, and mail a notice thereof in writing to the holders of the Rights in accordance with Section 5.9. Failure to give any notice provided for in Section 4.4, however, or any defect therein, shall not affect the legality or validity of the resignation or removal of the Rights Agent or the appointment of any successor Rights Agent, as the case may be.

ARTICLE 5 — MISCELLANEOUS

5.1 Waiver, Redemption and Extension

- (a) The Board of Directors of New NOVA may waive the application of Section 3.1 in respect of the occurrence of any Flip-in Event if the Board of Directors has determined within eight Trading Days following a Stock Acquisition Date that a Person became an Acquiring Person by inadvertence and without any intention to become, or knowledge that it would become, an Acquiring Person under this Agreement and, in the event that such a waiver is granted by the Board of Directors, such Stock Acquisition Date shall be deemed not to have occurred. Any such waiver pursuant to Subsection 5.1 (a) must be on the condition that such Person, within 10 days after the foregoing determination by the Board of Directors or such earlier or later date as the Board of Directors may determine (the “Disposition Date”), has reduced its Beneficial ownership of Voting Shares such that the Person is no longer an Acquiring Person. If the Person remains an Acquiring Person at the close of business on the Disposition Date, the Disposition Date shall be deemed to be the date of occurrence of a further Stock Acquisition Date and Section 3.1 shall apply thereto.
- (b) In the event that prior to the occurrence of a Flip-in Event a person acquires, pursuant to a Permitted Bid or a Competing Permitted Bid, not less than 90% of the outstanding Common Shares other than Common Shares Beneficially owned at the date of the Take-over Bid by such Person, then the Board of Directors of New NOVA shall, immediately upon the consummation of and acquisition without further formality be deemed to have elected to redeem the Rights at a redemption price of \$0.001 per Right appropriately adjusted in a manner analogous to the applicable adjustment provided for in Section 2.3 if an event of the type analogous to any of the events described in Section 2.3 shall have occurred (such redemption price being herein referred to as the “Redemption Price”).
- (c) The Board of Directors of New NOVA acting in good faith may, at its option, at any time prior to the occurrence of a Flip-in Event elect to redeem all but not less than all of the then outstanding Rights at the Redemption Price appropriately adjusted in a manner analogous to the applicable adjustments provided for in Section 2.3 in the event that an event of the type analogous to any of the events described in Section 2.3 shall have occurred. The redemption of the Rights by the Board of Directors may be made effective at such time, on such basis and with such conditions as the Board of Directors in its sole discretion may establish.
- (d) If at any time after a Permitted Bid is made, one or more additional Competing Permitted Bids shall be made, then the Board of Directors acting in good faith may, at its option, require that in order for the Permitted Bid to retain its status as a Permitted Bid it must provide that no Voting Shares that are subject to that Take-over Bid will be taken up or paid for prior to the close of business on the latest date on which a Competing Permitted Bid expires (the “Extension Date”), provided that the Board of Directors may not in any event provide for an Extension Date that is later than 120 days after the date on which the Permitted Bid was made. If the Permitted Bid loses its status as a Permitted Bid pursuant to this Subsection, then it shall be subject to all of the provisions of this Agreement that apply to a Take-over Bid that is not a Permitted Bid.
- (e) Where a Take-over Bid that is not a Permitted Bid Acquisition is withdrawn or otherwise terminated after the Separation Time has occurred and prior to the occurrence of a Flip-in Event, the Board of Directors may elect to redeem all the outstanding Rights at the Redemption Price.
- (f) If the Board of Directors is deemed under Subsection 5.1(b) to have elected or elects under Subsections 5.1(c) or (e) to redeem the Rights, the right to exercise the Rights will thereupon, without further action and without notice, terminate and the only right thereafter of the holders of Rights shall be to receive the Redemption Price.
- (g) Within 10 days after the Board of Directors is deemed under Subsection 5.1(b) to have elected or elects under Subsection 5.1(c) or (e) to redeem the Rights New NOVA shall give notice of redemption to the holders of the then outstanding Rights by mailing such notice to each such holder at his last address as it appears upon the registry books of the Rights Agent or, prior to the Separation Time, on the registry books of the transfer agent for the Voting Shares. Any notice which is mailed in the manner herein provided shall be deemed given, whether or not the holder receives the notice. Each such notice of redemption will state the method by which the payment of the Redemption Price will be made.

(h) Upon the Rights being redeemed pursuant to Subsections 5.1(e), all the provisions of this Agreement shall continue to apply as if the Separation Time had not occurred and Rights Certificates representing the number of Rights held by each holder of record of Common Shares as of the Separation Time had not been mailed to each such holder and from all purposes of this Agreement the Separation Time shall be deemed not to have occurred.

5.2 Expiration

No Person shall have any rights whatsoever pursuant to this Agreement or in respect of any Right after the Expiration Time, except the Rights Agent as specified in Subsection 4.1(a) of this Agreement.

5.3 Issuance of New Rights Certificates

Notwithstanding any of the provisions of this Agreement or of the Rights to the contrary, New NOVA may, at its option, issue new Rights Certificates evidencing Rights in such form as may be approved by the Board of Directors to reflect any adjustment or change in the number or kind or class of securities purchasable upon exercise of Rights made in accordance with the provisions of this Agreement.

5.4 Supplements and Amendments

(a) New NOVA may from time to time supplement or amend this Agreement without the approval of any holders of Voting Shares or Rights as specifically provided herein or in order to cure any ambiguity or to correct or supplement any provision contained herein which may be inconsistent with the intent of this Agreement or is otherwise defective, provided that no supplement or amendment shall be made to the provisions of Article 4 except with the written concurrence of the Rights Agent to such supplement or amendment.

(b) Subject to Section 5.4(a), New NOVA may, with the consent of the holders of Voting Shares obtained as set forth below, at any time before the Separation Time, amend, vary or rescind any of the provisions of this Agreement and the Rights (whether or not such action would materially adversely affect the interests of the holders of Rights generally). Such consent shall be deemed to have been given if provided by the holders of Voting Shares at a Special Meeting, which Special Meeting shall be called and held in compliance with applicable laws and regulatory requirements and the requirements in the articles and by-laws of New NOVA. Subject to compliance with any requirements imposed by the foregoing, consent shall be given if the proposed amendment, variation or rescission is approved by the affirmative vote of a majority of the votes cast by all holders of Voting Shares (other than any holder of Voting Shares who is an offeror pursuant to a Take-over Bid that is not a Permitted Bid or a Competing Permitted Bid, with respect to all Voting Shares Beneficially owned by such Person), represented in person or by proxy at the Special Meeting.

(c) New NOVA may, with the consent of the holders of Rights obtained as set forth below, at any time after the Separation Time and before the Expiration Time, amend, vary or rescind any of the provisions of this Agreement and the Rights (whether or not such action would materially adversely affect the interests of the holders of Rights generally). Such consent shall be deemed to have been given if provided by the holders of Rights at a Rights Holders' Special Meeting, which Rights Holders' Special Meeting shall be called and held in compliance with applicable laws and regulatory requirements and, to the extent possible, with the requirements in the articles and by-laws of New NOVA applicable to meetings of holders of Voting Shares, applied *mutatis mutandis*. Subject to compliance with any requirements imposed by the foregoing, consent shall be given if the proposed amendment, variation or rescission is approved by the affirmative vote of a majority of the votes cast by holders of Rights (other than holders of Rights whose Rights have become null and void pursuant to Subsection 3.1(b)), represented in person or by proxy at the Rights Holders' Special Meeting.

5.5 Fractional Rights and Fractional Shares

(a) New NOVA shall not be required to issue fractions of Rights or to distribute Rights Certificates which evidence fractional Rights and New NOVA shall not be required to pay any amount to a holder of record of Rights Certificates in lieu of such fractional Rights.

(b) New NOVA shall not be required to issue fractions of Common Shares upon exercise of Rights or to distribute certificates which evidence fractional Common Shares. In lieu of issuing fractional Common Shares, New NOVA shall pay to the registered holders of Rights Certificates, at the time such Rights are exercised as herein provided, an amount in cash equal to the fraction of the Market Price of one Common Share that the fraction of a Common Share ~~that would otherwise be issuable upon the exercise~~ of such Right is of one whole Common Share at the date of such exercise.

5.6 Rights of Action

Subject to the terms of this Agreement, all rights of action in respect of this Agreement, other than rights of action vested solely in the Rights Agent, are vested in the respective holders of the Rights. Any holder of Rights, without the consent of the Rights Agent or of the holder of any other Rights, may, on such holder's own behalf and for such holder's own benefit and the benefit of other holders of Rights, enforce, and may institute and maintain any suit, action or proceeding against New NOVA to enforce such holder's right to exercise such holder's Rights in the manner provided in such holder's Rights Certificate and in this Agreement. Without limiting the foregoing or any remedies available to the holders of Rights, it is specifically acknowledged that the holder of Rights would not have an adequate remedy at law for any breach of this Agreement and will be entitled to specific performance of the obligations under, and injunctive relief against actual or threatened violations of the obligations of any Person subject to, this Agreement.

5.7 Regulatory Approvals

Any obligation of New NOVA or action or event contemplated by this Agreement shall be subject to the receipt of any requisite approval or consent from any governmental or regulatory authority, and without limiting the generality of the foregoing, necessary approvals of any stock exchange shall be obtained, such as to the issuance of Common Shares upon the exercise of Rights under Subsection 2.2(d).

5.8 Declaration as to Non-Canadian Holders

If in the opinion of the Board of Directors (who may rely upon the advice of counsel) any action or event contemplated by this Agreement would require compliance by New NOVA with the securities laws or comparable legislation of a jurisdiction outside Canada, the Board of Directors acting in good faith may take such actions as it may deem appropriate to ensure that such compliance is not required, including without limitation establishing procedures for the issuance to a Canadian resident Fiduciary of Rights or securities issuable on exercise of Rights, the holding thereof in trust for the Persons entitled thereto (but reserving to the Fiduciary or to the Fiduciary and New NOVA, as New NOVA may determine, absolute investment discretion with respect thereto) and the sale thereof and remittance of the proceeds of such sale, if any, to the persons entitled thereto. In no event shall New NOVA or the Rights Agent be required to issue or deliver Rights or securities issuable on exercise of Rights to persons who are citizens, residents or nationals of any jurisdiction other than Canada, in which such issue or delivery would be unlawful without registration of the relevant Persons or securities for such purposes.

5.9 Notices

(a) Notices or demands authorized or required by this Agreement to be given or made by the Rights Agent or by the holder of any Rights to or on New NOVA shall be sufficiently given or made if delivered, sent by registered or certified mail, postage prepaid (until another address is filed in writing with the Rights Agent), or sent by facsimile or other form of recorded electronic communication, charges prepaid and confirmed in writing, as follows:

NOVA Corporation
P.O. Box 2535, Station M
801 Seventh Avenue S.W.
Calgary, Alberta
T2P 2N6

Attention: Corporate Secretary
Telecopy No.: (403) 290-6379

(b) Notices or demands authorized or required by this Agreement to be given or made by New NOVA or by the holder of any Rights to or on the Rights Agent shall be sufficiently given or made if delivered, sent by registered or certified mail, postage prepaid (until another address is filed in writing with New NOVA), or sent by facsimile or other form of recorded electronic communication, charges prepaid, and confirmed in writing, as follows:

The R-M Trust Company
600 The Dome Tower
333 Seventh Avenue S.W.
Calgary, Alberta
T2P 2Z1

Attention: Assistant Vice President
Telecopy No.: (403) 264-2100

(c) Notices or demands authorized or required by this Agreement to be given or made by New NOVA or the Rights Agent to or on the holder of any Rights shall be sufficiently given or made if delivered or sent by registered or certified mail, postage prepaid, addressed to such holder at the address of such holder as it appears upon the register of the Rights Agent or, prior to the Separation Time, on the register of New NOVA for its Common Shares. Any notice which is mailed or sent in the manner herein provided shall be deemed given, whether or not the holder receives the notice.

(d) Any notice given or made in accordance with Section 5.9 shall be deemed to have been given and to have been received on the day of delivery, if so delivered, on the third Business Day (excluding each day during which there exists any general interruption of postal service due to strike, lockout or other cause) following the mailing thereof, if so mailed, and on the day of telegraphing, telecopying or sending of the same by other means of recorded electronic communication (provided such sending is during the normal business hours of the addressee on a Business Day and if not, on the first Business Day thereafter). Each of New NOVA and the Rights Agent may from time to time change its address for notice by notice to the other given in the manner aforesaid.

5.10 Costs of Enforcement

New NOVA agrees that if New NOVA fails to fulfil any of its obligations pursuant to this Agreement, then New NOVA will reimburse the holder of any Rights for the costs and expenses (including legal fees) incurred by such holder to enforce his rights pursuant to any Rights or this Agreement.

5.11 Successors

All the covenants and provisions of this Agreement by or for the benefit of New NOVA or the Rights Agent shall bind and enure to the benefit of their respective successors and assigns hereunder.

5.12 Benefits of this Agreement

Nothing in this Agreement shall be construed to give to any Person other than New NOVA, the Rights Agent and the holders of the Rights any legal or equitable right, remedy or claim under this Agreement; further, this Agreement shall be for the sole and exclusive benefit of New NOVA, the Rights Agent and the holders of the Rights.

5.13 Governing Law

This Agreement and each Right issued hereunder shall be deemed to be a contract made under the laws of the Province of Alberta and for all purposes shall be governed by and construed in accordance with the laws of such Province applicable to contracts to be made and performed entirely within such Province.

5.14 Severability

If any term or provision hereof or the application thereof to any circumstance shall, in any jurisdiction and to any extent, be invalid or unenforceable, such term or provision shall be ineffective only as to such jurisdiction and to the extent of such invalidity or unenforceability in such jurisdiction without invalidating or rendering unenforceable or ineffective the remaining terms and provisions hereof in such jurisdiction or the application of such term or provision in any other jurisdiction or to circumstances other than those as to which it is specifically held invalid or unenforceable.

5.15 Effective Date

This Agreement is effective and in full force and effect in accordance with its terms from and after the Effective Date. If this Agreement is not confirmed by a majority of the votes cast by holders of NOVA Common Shares who vote in respect of confirmation of this Agreement at a meeting of shareholders of NOVA scheduled for May 6, 1994, or the Effective Date does not occur by December 31, 1994, then this Agreement shall be of no force and effect from that date which is the earlier of: (i) the date of such meeting (if this Agreement is not confirmed), and (ii) December 31, 1994.

5.16 Determinations and Actions by the Board of Directors

The Board of Directors shall have the exclusive power and authority to administer this Agreement and to exercise all rights and powers specifically granted to the Board of Directors of New NOVA, or as may be necessary or advisable in the administration of this Agreement, including, without limitation, the right and power to:

- (a) interpret the provisions of this Agreement; and
- (b) make all determinations deemed necessary or advisable for the administration of this Agreement.

All such actions, calculations, interpretations and determinations (including, for purposes of Clause (y) below, all omissions with respect to the foregoing) which are done or made by the Board of Directors, in good faith, shall:

- (x) be final, conclusive and binding on New NOVA, the Rights Agent, the holders of the Rights Certificates and all other parties; and
- (y) not subject the Board of Directors or any director of New NOVA to any liability to the holders of the Rights Certificates.

5.17 Time of the Essence

Time shall be of the essence in this Agreement.

5.18 Execution in Counterparts

This Agreement may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original, and all such counterparts shall together constitute one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the date first above written.

NOVA CORPORATION

By: _____

c/s

And By: _____

THE R-M TRUST COMPANY

By: _____

c/s

And By: _____

ATTACHMENT 1

NOVA CORPORATION SHAREHOLDER RIGHTS PLAN AGREEMENT

Form of Rights Certificate

Certificate No. _____

Rights _____

THE RIGHTS ARE SUBJECT TO TERMINATION ON THE TERMS SET FORTH IN THE SHAREHOLDER RIGHTS PLAN AGREEMENT. UNDER CERTAIN CIRCUMSTANCES (SPECIFIED IN SUBSECTION 3.1(b) OF THE SHAREHOLDER RIGHTS PLAN AGREEMENT), RIGHTS BENEFICIALLY OWNED BY AN ACQUIRING PERSON OR CERTAIN RELATED PARTIES, OR TRANSFEREES OF AN ACQUIRING PERSON OR CERTAIN RELATED PARTIES, MAY BECOME VOID.

Rights Certificate

This certifies that _____, or registered assigns, is the registered holder of the number of Rights set forth above, each of which entitles the registered holder thereof, subject to the terms, provisions and conditions of the Shareholder Rights Plan Agreement, dated as of May 6, 1994 (the "Shareholder Rights Plan Agreement"), between NOVA Corporation, a corporation duly incorporated under the Business Corporations Act (Alberta) and The R-M Trust Company, a trust company incorporated under the laws of Canada (the "Rights Agent") (which term shall include any successor Rights Agent under the Shareholder Rights Plan Agreement), to purchase from NOVA Corporation at any time after the Separation Time (as such term is defined in the Shareholder Rights Plan Agreement) and prior to the Expiration Time (as such term is defined in the Shareholder Rights Plan Agreement), one fully paid common share of NOVA Corporation (a "Common Share") at the Exercise Price referred to below, upon presentation and surrender of this Rights Certificate with the Form of Election to Exercise (in the form provided hereinafter) duly executed and submitted to the Rights Agent at its principal office in any of the cities of Vancouver, Calgary, Regina, Winnipeg, Toronto, Montreal and Halifax. The Exercise Price shall initially be \$30 (Cdn.) per Right and shall be subject to adjustment in certain events as provided in the Shareholder Rights Plan Agreement.

This Rights Certificate is subject to all of the terms and provisions of the Shareholder Rights Plan Agreement, which terms and provisions are incorporated herein by reference and made a part hereof and to which Shareholder Rights Plan Agreement reference is hereby made for a full description of the rights, limitations of rights, obligations, duties and immunities thereunder of the Rights Agent, NOVA Corporation and the holders of the Rights Certificates. Copies of the Shareholder Rights Plan Agreement are on file at the registered office of NOVA Corporation.

This Rights Certificate, with or without other Rights Certificates, upon surrender at any of the offices of the Rights Agent designated for such purpose, may be exchanged for another Rights Certificate or Rights Certificates of like tenor and date evidencing an aggregate number of Rights equal to the aggregate number of Rights evidenced by the Rights Certificate or Rights Certificates surrendered. If this Rights Certificate shall be exercised in part, the registered holder shall be entitled to receive, upon surrender hereof, another Rights Certificate or Rights Certificates for the number of whole Rights not exercised.

No holder of this Rights Certificate, as such, shall be entitled to vote or receive dividends or be deemed for any purpose the holder of Common Shares or of any other securities which may at any time be issuable upon the exercise hereof, nor shall anything contained in the Shareholder Rights Plan Agreement or herein be construed to confer upon the holder hereof, as such, any of the Rights of a shareholder of NOVA Corporation or any right to vote for the election of directors or upon any matter submitted to shareholders at any meeting thereof, or to give or withhold consent to any corporate action, or to receive notice of meetings or other actions affecting shareholders (except as provided in the Shareholder Rights Plan Agreement), or to receive dividends or subscription rights, or otherwise, until the Rights evidenced by this Rights Certificate shall have been exercised as provided in the Shareholder Rights Plan Agreement.

This Rights Certificate shall not be valid or obligatory for any purpose until it shall have been countersigned by the Rights Agent.

WITNESS the facsimile signature of the proper officers of NOVA Corporation and its corporate seal.

Date: _____

NOVA CORPORATION

By: _____
President

By: _____
Secretary

Countersigned:

THE R-M TRUST COMPANY

By: _____
Authorized Signature

FORM OF ASSIGNMENT

(To be executed by the registered holder if such holder desires to transfer the Rights Certificate.)

FOR VALUE RECEIVED _____ hereby
sells, assigns and transfers unto _____

(Please print name and address of transferee.)

the Rights represented by this Rights Certificate, together with all right, title and interest therein, and does hereby irrevocably constitute and appoint _____

, as attorney, to transfer the within Rights on the books of NOVA Corporation, with full power of substitution.

Dated: _____

Signature

Signature Guaranteed:

(Signature must correspond to name as written upon the face of this Rights Certificate in every particular, without alteration or enlargement or any change whatsoever.)

Signature must be guaranteed by a member firm of a recognized stock exchange in Canada, or a commercial bank or trust company having an office or correspondent in Canada.

CERTIFICATE

(To be completed if true.)

The undersigned party transferring Rights hereunder, hereby represents, for the benefit of all holders of Rights and Common Shares, that the Rights evidenced by this Rights Certificate are not, and, to the knowledge of the undersigned, have never been, Beneficially owned by an Acquiring Person or an Affiliate or Associate thereof or a Person acting jointly or in concert with an Acquiring Person or an Affiliate or Associate thereof. Capitalized terms shall have the meaning ascribed thereto in the Shareholder Rights Plan Agreement.

Signature

(To be attached to each Rights Certificate.)

FORM OF ELECTION TO EXERCISE

(To be exercised by the registered holder if such holder desires to exercise the Rights Certificate.)

To: NOVA Corporation and The R-M Trust Company

The undersigned hereby irrevocably elects to exercise _____

whole Rights represented by the attached Rights Certificate to purchase the Common Shares or other securities, if applicable, issuable upon the exercise of such Rights and requests that certificates for such securities be issued in the name of:

(Name)

(Address)

(City and Province)

Social Insurance Number or other taxpayer identification number.

If such number of Rights shall not be all the Rights evidenced by this Rights Certificate, a new Rights Certificate for the balance of such Rights shall be registered in the name of and delivered to:

(Name)

(Address)

(City and Province)

Social Insurance Number or other taxpayer identification number.

Dated: _____

Signature

Signature Guaranteed:

(Signature must correspond to name as written upon the face of this Rights Certificate in every particular, without alteration or enlargement or any change whatsoever.)

Signature must be guaranteed by a member firm of a recognized stock exchange in Canada, or a commercial bank or trust company having an office or correspondent in Canada.

CERTIFICATE

(To be completed if true.)

The undersigned party transferring Rights hereunder, hereby represents, for the benefit of all holders of Rights and Common Shares, that the Rights evidenced by this Rights Certificate are not, and, to the knowledge of the undersigned, have never been, Beneficially owned by an Acquiring Person or an Affiliate or Associate thereof or a Person acting jointly or in concert with an Acquiring Person or an Affiliate or Associate thereof. Capitalized terms shall have the meaning ascribed thereto in the Shareholder Rights Plan Agreement.

Signature

(To be attached to each Rights Certificate.)

NOTICE

In the event the certification set forth above in the Forms of Assignment and Election is not completed, NOVA Corporation will deem the Beneficial owner of the Rights evidenced by this Rights Certificate to be an Acquiring Person or an Affiliate or Associate thereof. No Rights Certificates shall be issued in exchange for a Rights Certificate owned or deemed to have been owned by an Acquiring Person or an Affiliate or Associate thereof, or by a Person acting jointly or in concert with an Acquiring Person or an Affiliate or Associate thereof.

SCHEDULE E

SECTION 184 BUSINESS CORPORATIONS ACT (ALBERTA) SHAREHOLDER DISSENT RIGHTS

184(1) Subject to sections 185 and 234, a holder of shares of any class of a corporation may dissent if the corporation resolves to

- (a) amend its articles under section 167 or 168 to add, change or remove any provisions restricting or constraining the issue or transfer of shares of that class,
- (b) amend its articles under section 167 to add, change or remove any restrictions on the business or businesses that the corporation may carry on,
- (c) amalgamate with another corporation, otherwise than under section 178 or 180.1,
- (d) be continued under the laws of another jurisdiction under section 182, or
- (e) sell, lease or exchange all or substantially all its property under section 183.

(2) A holder of shares of any class or series of shares entitled to vote under section 170, other than section 170(1)(a), may dissent if the corporation resolves to amend its articles in a manner described in that section.

(3) In addition to any other right he may have, but subject to subsection (20), a shareholder entitled to dissent under this section and who complies with this section is entitled to be paid by the corporation the fair value of the shares held by him in respect of which he dissents, determined as of the close of business on the last business day before the day on which the resolution from which he dissents was adopted.

(4) A dissenting shareholder may only claim under this section with respect to all the shares of a class held by him or on behalf of any one beneficial owner and registered in the name of the dissenting shareholder.

(5) A dissenting shareholder shall send to the corporation a written objection to a resolution referred to in subsection (1) or (2)

- (a) at or before any meeting of shareholders at which the resolution is to be voted on, or
- (b) if the corporation did not send notice to the shareholder of the purpose of the meeting or of his right to dissent, within a reasonable time after he learns that the resolution was adopted and of his right to dissent.

(6) An application may be made to the Court by originating notice after the adoption of a resolution referred to in subsection (1) or (2),

- (a) by the corporation, or
- (b) by a shareholder if he has sent an objection to the corporation under subsection (5),

to fix the fair value in accordance with subsection (3) of the shares of a shareholder who dissents under this section.

(7) If an application is made under subsection (6), the corporation shall, unless the Court otherwise orders, send to each dissenting shareholder a written offer to pay him an amount considered by the directors to be the fair value of the shares.

(8) Unless the Court otherwise orders, an offer referred to in subsection (7) shall be sent to each dissenting shareholder

- (a) at least 10 days before the date on which the application is returnable, if the corporation is the applicant, or

- (b) within 10 days after the corporation is served with a copy of the originating notice, if a shareholder is the applicant.
- (9) Every offer made under subsection (7) shall
 - (a) be made on the same terms, and
 - (b) contain or be accompanied by a statement showing how the fair value was determined.
- (10) A dissenting shareholder may make an agreement with the corporation for the purchase of his shares by the corporation, in the amount of the corporation's offer under subsection (7) or otherwise, at any time before the Court pronounces an order fixing the fair value of the shares.
- (11) A dissenting shareholder
 - (a) is not required to give security for costs in respect of an application under subsection (6), and
 - (b) except in special circumstances shall not be required to pay the costs of the application or appraisal.
- (12) In connection with an application under subsection (6), the Court may give directions for
 - (a) joining as parties all dissenting shareholders whose shares have not been purchased by the corporation and for the representation of dissenting shareholders who, in the opinion of the Court, are in need of representation,
 - (b) the trial of issues and interlocutory matters, including pleadings and examinations for discovery,
 - (c) the payment to the shareholder of all or part of the sum offered by the corporation for the shares,
 - (d) the deposit of the share certificates with the Court or with the corporation or its transfer agent,
 - (e) the appointment and payment of independent appraisers, and the procedures to be followed by them,
 - (f) the service of documents, and
 - (g) the burden of proof on the parties.
- (13) On an application under subsection (6), the Court shall make an order
 - (a) fixing the fair value of the shares in accordance with subsection (3) of all dissenting shareholders who are parties to the application,
 - (b) giving judgment in that amount against the corporation and in favour of each of those dissenting shareholders, and
 - (c) fixing the time within which the corporation must pay that amount to a shareholder.
- (14) On
 - (a) the action approved by the resolution from which the shareholder dissents becoming effective,
 - (b) the making of an agreement under subsection (10) between the corporation and the dissenting shareholder as to the payment to be made by the corporation for his shares, whether by the acceptance of the corporation's offer under subsection (7) or otherwise, or
 - (c) the pronouncement of an order under subsection (13),whichever first occurs, the shareholder ceases to have any rights as a shareholder other than the right to be paid the fair value of his shares in the amount agreed to between the corporation and the shareholder or in the amount of the judgment, as the case may be.
- (15) Subsection (14)(a) does not apply to a shareholder referred to in subsection (5)(b).
- (16) Until one of the events mentioned in subsection (14) occurs,
 - (a) the shareholder may withdraw his dissent, or
 - (b) the corporation may rescind the resolution,and in either event proceedings under this section shall be discontinued.

(17) The Court may in its discretion allow a reasonable rate of interest on the amount payable to each dissenting shareholder, from the date on which the shareholder ceases to have any rights as a shareholder by reason of subsection (14) until the date of payment.

(18) If subsection (20) applies, the corporation shall, within 10 days after

- (a) the pronouncement of an order under subsection (13), or
- (b) the making of an agreement between the shareholder and the corporation as to the payment to be made for his shares,

notify each dissenting shareholder that it is unable lawfully to pay dissenting shareholders for their shares.

(19) Notwithstanding that a judgment has been given in favour of a dissenting shareholder under subsection (13)(b), if subsection (20) applies, the dissenting shareholder, by written notice delivered to the corporation within 30 days after receiving the notice under subsection (18), may withdraw his notice of objection, in which case the corporation is deemed to consent to the withdrawal and the shareholder is reinstated to his full rights as a shareholder, failing which he retains a status as a claimant against the corporation, to be paid as soon as the corporation is lawfully able to do so or, in a liquidation, to be ranked subordinate to the rights of creditors of the corporation but in priority to its shareholders.

(20) A corporation shall not make a payment to a dissenting shareholder under this section if there are reasonable grounds for believing that

- (a) the corporation is or would after the payment be unable to pay its liabilities as they become due, or
- (b) the realizable value of the corporation's assets would thereby be less than the aggregate of its liabilities.

